

CLEARONE COMMUNICATIONS INC

Form S-4/A

April 29, 2002

As filed with the Securities and Exchange Commission on April 29, 2002

Registration No. 333-82242

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Amendment No. 2  
to  
Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

ClearOne Communications, Inc.  
(formerly Gentner Communications Corporation)  
(Exact Name of Registrant as Specified in Its Charter)  
Utah 3663 87-0398877  
(State or Other Jurisdiction (Primary Standard Industrial Classification Code Number) (I.R.S. Employer Identification Number)  
of Incorporation  
or Organization)

1825 Research Way  
Salt Lake City, Utah 84119  
(801) 975-7200  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Frances M. Flood  
ClearOne Communications, Inc.  
1825 Research Way  
Salt Lake City, Utah 84119  
(801) 975-7200  
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)  
Copies to:

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1100 International Centre	1500 Wells Fargo Plaza
900 Second Avenue South	170 South Main Street
Minneapolis, MN 55402	Salt Lake City, Utah 84101
(612) 347-7000	(801) 521-3200

Approximate date of commencement of proposed sale to the public:  
As soon as practicable after this registration statement becomes effective and upon consummation of the merger described in the enclosed prospectus.

If any of the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Prop Max Aggr Offering
Common Stock, par value \$0.001 per share	873,000	\$3.13	\$13,1

- (1) Represents the maximum number of shares of common stock, \$0.001 par value per share, of the Registrant issuable in connection with the merger contemplated by the merger agreement.
- (2) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(f) and (c) promulgated under the Securities Act. The proposed maximum offering price per share is based on the sum of (A) the product of (i) \$3.13 (the average of the high and low prices of common stock, \$0.01 par value per share, of E.mergent, Inc. on January 31, 2002 as reported on the Nasdaq SmallCap Market) times (ii) the maximum number of shares of E.mergent common stock to be received by the registrant or canceled pursuant to the merger, minus (B) \$7,300,000 (the maximum amount of cash to be paid in exchange for the E.mergent common stock in addition to the shares of Registrant common stock to be issued in the transaction). The proposed maximum offering price per share is based on the proposed maximum aggregate offering price divided by the number of shares to be registered

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities Exchange Commission, acting pursuant to said Section 8(a), may determine.

E.MERGENT, INC.

MERGER PROPOSAL - YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

The board of directors of E.mergent, Inc. has approved a merger in which E.mergent will be purchased by ClearOne Communications, Inc. As a result of the proposed merger, you will become a shareholder of ClearOne. The E.mergent board believes that the complementary product lines and businesses of ClearOne and E.mergent create an overall strategic fit. It also believes that the merger will create synergies and efficiencies that will accelerate product development and technological innovation.

I cordially invite you to attend our special meeting of shareholders to vote on a proposal to approve the merger and the merger agreement. We cannot complete the merger unless the holders of a majority of the outstanding shares of E.mergent common stock approve it. The date, time, and place of the special

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meeting are \_\_\_\_\_, 2002, 10:00 a.m., local time, Acoustic Communications Systems Division, 13705 26th Avenue North, Suite 110, Minneapolis, MN 55441.

Your board of directors has carefully considered the terms and conditions of the merger and has determined that the merger is advisable, in the best interests of our stockholders and on terms that are fair to our stockholders. Accordingly, except for one director who abstained due to a conflict of interest, your board of directors has unanimously approved the merger agreement and the merger and recommends that you vote for adoption and approval of the merger agreement and approval of the merger.

If the merger is completed, ClearOne will issue, or reserve for issuance upon the exercise of assumed E.mergent stock options, a total of 873,000 shares of ClearOne common stock and pay a total of \$7,300,000 in cash in exchange for all of E.mergent's outstanding common stock shares and stock options. Assuming that E.mergent does not issue any additional shares prior to the merger, for each share of E.mergent common stock you hold, you will receive in the merger between approximately \$1.17 to \$1.23 in cash and up to approximately 0.145 of a share of ClearOne common stock. The exact amount of cash and stock that you will receive for each E.mergent share depends on the number of E.mergent shares outstanding immediately prior to the completion of the merger, the exercise of E.mergent stock options prior to the merger and other factors. The common stock of ClearOne (which was formerly known as Gentner Communications Corporation) is traded on the Nasdaq National Market System under the symbol "CLRO." On April 25, 2002, the closing price of ClearOne common stock was \$16.45 per share.

Following this letter you will find a formal notice of the special meeting and a proxy statement/prospectus providing you with detailed information concerning the merger agreement, the merger, E.mergent and ClearOne. In particular, you should carefully consider the discussion in the section entitled "Risk Factors" beginning on page 20 of this document, including those risk factors that are incorporated by reference into this document. It is also accompanied by the most recent annual report on Form 10-KSB for E.mergent, the most recent annual report on Form 10-K for ClearOne, certain other reports previously filed by ClearOne with the Securities and Exchange Commission and certain other relevant documents. You can also obtain information about ClearOne and E.mergent from documents filed with the Securities and Exchange Commission. Please read this entire document carefully.

We enthusiastically support the merger and urge you to vote "FOR" the merger and the merger agreement. Thank you, and I look forward to seeing you at the special meeting.

Sincerely,

/s/ James W. Hansen  
James W. Hansen  
Chief Executive Officer and President

-----  
NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE MERGER OR THE SHARES OF CLEARONE'S COMMON STOCK TO BE ISSUED IN THE MERGER, OR DETERMINED IF THIS DOCUMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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This document is dated \_\_\_\_\_, 2002 and was first mailed to E.mergent stockholders on or about \_\_\_\_\_, 2002.

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E.MERGENT, INC.  
5960 Golden Hills Drive  
Golden Valley, MN 55416  
(763) 471-4257

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON \_\_\_\_\_, 2002

To the Stockholders of E.mergent, Inc.:

A special meeting of the shareholders of E.mergent, Inc., a Delaware corporation, will be held at the Acoustic Communications Systems Division, located at 13705 26th Avenue North, Suite 110, Minneapolis, MN 55441, on \_\_\_\_\_, 2002, at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger dated as of January 21, 2002, among ClearOne Communications, Inc., a Utah corporation, Tundra Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of ClearOne, and E.mergent, Inc., a Delaware corporation, and the related merger, pursuant to which E.mergent will become a wholly-owned subsidiary of ClearOne and holders of E.mergent common stock will receive a combination of cash and shares of ClearOne common stock based upon the conversion ratio described in the accompanying proxy statement/prospectus.
2. To transact such other business as may properly come before the special meeting or any adjournment or postponement, including a proposal to adjourn or postpone the special meeting.

The record date for the special meeting is the close of business on \_\_\_\_\_, 2002. Only E.mergent stockholders of record at that time are entitled to notice of and to vote at the special meeting or any adjournment or postponement of the meeting. To approve the merger, the holders of a majority of all the outstanding shares of E.mergent common stock must vote in favor of the merger.

Under Delaware law, holders of E.mergent common stock who submit a written demand for appraisal of their shares and who comply with the applicable statutory procedures under Delaware law will be entitled to appraisal rights and to receive payment in cash for the fair value of their shares as determined by the Delaware Chancery Court. A summary of the applicable requirements of Delaware law is contained in the accompanying proxy statement/prospectus under the caption "The Merger and Related Transactions--Dissenters Rights of Appraisal." In addition, the text of the applicable provisions of the Delaware General Corporate Law is attached as Annex D.

Your vote is important. Even if you expect to attend the meeting, please complete, sign, and date the enclosed proxy and return it promptly in the enclosed postage-paid envelope. If no instructions are indicated on your proxy, your shares will be voted "FOR" the merger. Alternatively, you may vote your proxy via phone or the Internet. You may vote your proxy by phone twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by dialing 800-240-6326 and following the instructions. You may vote your proxy via the Internet twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by going to <http://www.eproxy.com/emrt> and following the instructions.

If you do not return your proxy, vote your proxy by phone or Internet,

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or vote in person, the effect is a vote against the merger. You can revoke your proxy at any time before it is exercised by voting again by phone or Internet, giving written notice to the Secretary of E.mergent, filing another proxy, or attending the special meeting and voting in person.

If the merger agreement is approved and the merger is consummated, you will be sent a letter of transmittal with instructions for surrendering your certificates representing shares of E.mergent common stock (or certificates representing shares of VideoLabs, Inc. common stock issued prior to E.mergent's name change from VideoLabs). Please do not send your share certificates until you receive these materials.

The E.mergent board of directors recommends that you vote FOR the merger.

BY ORDER OF THE BOARD OF DIRECTORS  
Jill Larson, Secretary

\_\_\_\_\_, \_\_, 2002

### ADDITIONAL INFORMATION

The following documents, which contain important business and financial information about ClearOne and E.mergent, are incorporated into this proxy statement/prospectus and they are being delivered to you with this proxy statement/prospectus, bound under a separate cover:

E.mergent Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001;

ClearOne Annual Report on Form 10-K for the fiscal year ended June 30, 2001;

ClearOne Quarterly Report on Form 10-Q for the quarter ended September 30, 2001;

ClearOne Quarterly Report on Form 10-Q for the quarter ended December 31, 2001;

ClearOne Current Report on Form 8-K filed October 18, 2001;

ClearOne Current Report on Form 8-K/A filed November 23, 2001;

ClearOne Current Report on Form 8-K filed February 1, 2002;

ClearOne Current Report on Form 8-K filed on February 6, 2002;

ClearOne Current Report on Form 8-K filed on March 21, 2002;

ClearOne Current Report on Form 8-K filed on April 10, 2002; and

ClearOne Current Report on Form 8-K filed April 23, 2002.

Also, this document will incorporate by reference information about ClearOne from other documents that may be filed with the Securities and Exchange Commission after the date of this document and prior to E.mergent's special shareholder meeting. See the section entitled "Where You Can Find More Information" beginning on page 71 of this document for information about how to

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obtain copies of such documents and additional information about ClearOne and E.mergent.

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### QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions that you, as a stockholder of E.mergent, may have and answers to those questions. After this questions and answers section is a summary of the other information included in the proxy statement/prospectus. These questions and answers and the following summary



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section may not address all of the information that may be important to you as a stockholder of E.mergent. E.mergent and ClearOne urge you to read carefully the remainder of this proxy statement/prospectus because the information in these sections is not complete and additional important information is contained in the remainder of this proxy statement/prospectus, the annexes to this proxy statement/prospectus and the documents referred to or incorporated by reference in this proxy statement/prospectus.

Q: Why am I receiving this document and proxy card?

A: You are receiving this document and proxy card because you own shares of E.mergent common stock. E.mergent and ClearOne are proposing to combine the two companies through a merger of E.mergent into a subsidiary of ClearOne. This document describes a proposal that the E.mergent stockholders adopt the merger agreement between the parties and approve the merger at a special shareholders meeting. This document also gives you information about E.mergent and ClearOne and other background information so that you can make an informed investment decision, as ClearOne is offering its shares of common stock as part of the merger consideration that you will receive in the merger in exchange for your E.mergent common stock.

Q: When and where is the special shareholders meeting?

A: The E.mergent special shareholders' meeting to consider and vote upon the merger will be held at the Acoustic Communications Systems Division, 13705 26th Avenue North, Suite 110, Minneapolis, MN on \_\_\_\_\_, 2002 at 10:00 a.m., local time.

Q: How do I vote on the merger? (see page 30)

A: You are entitled to receive this notice and vote at the meeting if you were a shareholder of E.mergent on \_\_\_\_\_, 2002, the record date for the meeting. To vote, first, please review the information contained or incorporated by reference in this document, including the annexes. It contains important information about E.mergent and ClearOne. It also contains important information about what the boards of directors of E.mergent and ClearOne considered in evaluating the merger. Next, complete and sign the enclosed proxy card, indicating how you wish to vote. Then, mail the proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting of E.mergent stockholders at which the merger agreement and the merger will be presented and voted upon. Alternatively, you may vote your proxy via phone or the Internet. You may vote your proxy by phone twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by dialing 800-240-6326 and following the instructions. You may vote your proxy via the Internet twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by going to <http://www.eproxy.com/emrt> and following the instructions. You may also attend the special meeting in person and vote at the special meeting instead of submitting a proxy.

Q: If my shares are held in "street name" by a broker, will my broker vote my shares for me?

A: No. Your broker will not be able to vote your shares without instructions from you. If you hold your shares in street name, you should receive with this proxy statement/prospectus a form for instructing you how to vote your shares through your broker. If you do not provide your broker with voting instructions, your shares may be considered present at the special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of adoption and approval of the merger agreement or approval of the merger and, therefore, such action will have the effect of

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a vote against the merger agreement and the merger. If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions. Please note, however, that if the holder of record of your shares is your broker, bank or other nominee and you wish to vote at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

Q: What if I do not indicate how to vote my proxy or indicate I abstain from the vote? (see page 28)

A: If you properly sign and return your proxy but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the merger agreement and the merger. If, however, you return your proxy and indicate that you are abstaining from voting, your proxy will have the same effect as a vote against the merger.

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Q: What if I don't return my proxy vote? (see page 28)

A: If you fail to return your proxy, it will have the same effect as a vote against the merger agreement and the merger.

Q: Can I change my vote after I have delivered my proxy or voted by phone or Internet? (see page 30)

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting of E.mergent stockholders at which the merger agreement and merger will be presented and voted upon. You can do this in one of four ways:

- o sending a written notice to the Secretary of E.mergent, if you are an E.mergent stockholder, before the meeting stating that you would like to revoke your proxy;
- o signing a later-dated proxy card and returning it by mail in time to be received before the meeting;
- o vote again by phone or Internet prior to 11:00 a.m., Central Time, on \_\_\_\_\_, 2002 ; or
- o you can attend the special meeting and vote in person. Your attendance at the special meeting alone will not revoke your proxy. You must also vote at the special meeting in order to revoke your previously submitted proxy.

Q: Should I send in my stock certificates now?

A: No. If the merger is completed, we will send to you written instructions for exchanging your E.mergent stock certificates (or VideoLabs, Inc. stock certificates issued before E.mergent's name change) for ClearOne stock certificates. In the meantime, you should retain your stock certificates as the E.mergent stock certificates are still valid. Please do not send in your stock certificates with your proxy.

Q: Who can help answer my questions? (see page 71)

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this document or the enclosed proxy card,

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you should contact:

E.mergent, Inc.  
5960 Golden Hills Drive  
Golden Valley, MN 55416  
Telephone (763) 417-4257  
Attention: Jill Larson  
Email: proxy@emergentincorporated.com

THIS PROXY STATEMENT/PROSPECTUS CONTAINS TRADEMARKS, TRADENAMES, SERVICE MARKS, AND SERVICE NAMES OF CLEARONE, E.MERGENT AND OTHER COMPANIES.

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### SUMMARY

#### The Companies

ClearOne Communications, Inc. (see pages 63 and 71)  
1825 Research Way  
Salt Lake City, Utah 84119  
Telephone (801) 975-7200

ClearOne (formerly known as Gentner Communications Corporation) primarily develops, manufactures, markets and distributes products and services for the conferencing equipment, conferencing services, and broadcast markets. Until 1991, ClearOne's primary business was the sale of studio and transmitter-related equipment to broadcast facilities. Since then, ClearOne has applied its core digital audio technology to the development of products for audio and video conferencing, sound reinforcement, and assistive listening applications. In addition, ClearOne offers conferencing services, including conference calling, Webconferencing, audio and video streaming, and customer training and education.

E.mergent, Inc. (see pages 62 and 71)  
5960 Golden Hills Drive  
Golden Valley, MN 55416  
Telephone (763) 417-4257

E.mergent sells its products and services through a global network of resellers and Original Equipment Manufacturers ("OEM"). E.mergent classifies its business into two segments: Products Division ("VideoLabs"), which designs, manufactures and markets a complete line of peripherals that support core technologies in the videoconferencing, audio visual, identification, education and medical markets and its Services Division ("ACS"), which is a full-service communications integration provider, specializing in the design, installation and support of meeting room technologies. E.mergent is headquartered in Golden Valley, Minnesota with locations in Plymouth, Minnesota; Maple Grove, Minnesota; Chicago, Illinois; and Des Moines, Iowa.

ClearOne's and E.mergent's Reasons for the Merger (see pages 33 and 39)

ClearOne and E.mergent are proposing to merge because they believe, for a variety of reasons, that each company will benefit from the combination of the two companies and the merger will result in a combined company that is better

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positioned to succeed in the audio and video conferencing markets than they would be separately. A complete discussion of the companies' respective reasons for proposing the merger is contained under the captions "E.mergent's Reasons for the Merger" beginning on page 33 and "Consideration of the Merger by ClearOne's Board of Directors and Reasons for the Merger" beginning on page 39.

Recommendations of the E.mergent Board of Directors (see page 29)

After careful consideration, E.mergent's board of directors determined that the merger is advisable, in the best interests of E.mergent stockholders and on terms that are fair to the stockholders of E.mergent. Accordingly, except for one director who abstained, E.mergent's board of directors unanimously approved the merger agreement and the merger and recommends that you vote "FOR" adoption and approval of the merger agreement and approval of the merger. The director who abstained chose to do so because he was previously employed by E.mergent's financial advisor, who rendered an opinion on the fairness of the merger as described below.

Opinion of E.mergent's Financial Advisor (see page 34)

In deciding to approve the merger, the E.mergent board of directors considered an opinion from its financial advisor, Goldsmith, Agio, Helms. On January 18, 2002, Goldsmith, Agio, Helms delivered its oral opinion, subsequently confirmed in writing, to the board of directors of E.mergent that, as of the date of such opinion, the consideration to be received by E.mergent stockholders as set forth in the merger agreement was fair, from a financial point of view, to the holders of E.mergent common stock.

The full text of the Goldsmith, Agio, Helms' written opinion is attached to this document as Annex C. We encourage you to read the opinion carefully. The opinion of Goldsmith, Agio, Helms does not constitute a recommendation as to how any holder of E.mergent common stock should vote with respect to the merger agreement and the merger.

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Shareholder Approval (see page 28)

The affirmative vote of the holders of a majority of the outstanding shares of E.mergent common stock is required to approve the merger agreement and merger. Each share of E.mergent common stock will be entitled to one vote per share. As a result, you will be entitled to cast one vote per share of E.mergent common stock that you owned as of \_\_\_\_\_, 2002, the record date for the E.mergent special meeting. As of April 25, 2002, there were 5,931,280 shares of E.mergent common stock outstanding. Holders of approximately 40% of the outstanding shares of E.mergent common stock have already agreed to vote in favor of approving the merger agreement and the merger. ClearOne stockholders are not required to vote on the merger agreement or the merger.

Structure and Effects of the Merger (see page 46)

At the effective time of the merger, E.mergent will be merged into a wholly owned subsidiary of ClearOne, with the subsidiary continuing as the surviving entity. As part of the process, the stockholders of E.mergent will become stockholders of ClearOne, and their rights as stockholders will be governed by the ClearOne articles of incorporation and bylaws, as currently in effect, and the laws of the State of Utah. Following the merger, ClearOne

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intends to maintain E.mergent's operations as a wholly-owned subsidiary of ClearOne for some period of time. The membership of ClearOne's board of directors will remain unchanged as a result of the merger. ClearOne and E.mergent anticipate that following the merger Robin Sheeley, E.mergent's current Chief Technical Officer will become the Chief Technology Officer of ClearOne, while James Hansen will resign as E.mergent's Chairman, Chief Executive Officer, President and Treasurer and Jill Larson will resign as E.mergent's Vice President-Administration and Corporate Secretary.

As a result of the merger, each outstanding share of E.mergent common stock will be converted into the right to receive cash and a fraction of a share of ClearOne common stock. For each of your shares of E.mergent common stock you will receive a payment of cash between approximately \$1.17 and \$1.23 and up to approximately 0.145 of a share of ClearOne common stock. The exact amount to be paid per E.mergent share depends on a number of factors, including the average closing price of ClearOne common stock and the number of E.mergent stock options outstanding, both of which are determined immediately prior to the merger. As a result, we cannot tell you at this time the exact amount of cash and stock that you will receive for your E.mergent common stock. The chart below, however, gives examples of the approximate amount of cash and stock that you would receive based on a range of closing prices for ClearOne common stock (including the actual closing sales price of \$16.45 on April, 25, 2002) and assumptions about options outstanding at the time of merger.

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### E.mergent Stock Options Exercised (Cashless Exercise)

ClearOne Average Market Price	None			50%		
	Cash	ClearOne Shares	Combined Value	Cash	ClearOne Shares	Combined Value
\$12.00	\$1.231	0.1240	\$2.719	\$1.198	0.1318	\$2.780
\$13.00	\$1.231	0.1248	\$2.853	\$1.198	0.1322	\$2.916
\$14.00	\$1.231	0.1254	\$2.986	\$1.198	0.1325	\$3.053
\$15.00	\$1.231	0.1259	\$3.120	\$1.198	0.1328	\$3.189
\$16.00	\$1.231	0.1264	\$3.253	\$1.198	0.1330	\$3.326
\$16.45	\$1.231	0.1266	\$3.313	\$1.198	0.1331	\$3.387
\$17.00	\$1.231	0.1268	\$3.387	\$1.198	0.1332	\$3.462
\$18.00	\$1.231	0.1272	\$3.520	\$1.198	0.1334	\$3.599
\$19.00	\$1.231	0.1275	\$3.654	\$1.198	0.1335	\$3.735
\$20.00	\$1.231	0.1278	\$3.787	\$1.198	0.1337	\$3.872
\$21.00	\$1.231	0.1281	\$3.921	\$1.198	0.1338	\$4.008
\$22.00	\$1.231	0.1284	\$4.055	\$1.198	0.1339	\$4.145
\$23.00	\$1.231	0.1286	\$4.188	\$1.198	0.1341	\$4.282

See page 47 for a description of the assumptions underlying this table. Please

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note that the above table contains examples based on such assumptions. The actual amounts you will receive in the merger may differ from such examples. For a discussion of the actual calculation of the amounts to be exchanged in the merger, please see the discussion entitled "Conversion of E.mergent Common Stock" beginning on page 46.

Additionally, ClearOne will not issue fractional shares. If the total number of shares of ClearOne common stock that you are entitled to receive includes a fraction of a share, you will instead receive cash, without interest, rather than that fractional share.

Changes in the trading price of ClearOne common stock prior to the merger will not change the total amount of cash or total number of shares being paid by ClearOne in the merger. Of course, changes in the trading price of ClearOne common stock will affect the actual value of the ClearOne common stock that you will receive in the merger. However, either ClearOne or E.mergent may terminate the merger agreement if the weighted average closing price of ClearOne common stock as quoted on the Nasdaq National Market for the 15 trading days ending one day prior to the date of the scheduled completion of the merger is greater than \$23 or less than \$14.

Options to purchase shares of E.mergent common stock outstanding immediately prior to completion of the merger will be converted into options to purchase shares of ClearOne common stock after the merger. The number of ClearOne shares issuable upon the exercise of these options, and their applicable exercise prices, will be adjusted based on the value of the ClearOne common stock and cash each share of E.mergent stock received in the merger. The formula for determining the exchange ratio for assuming the E.mergent stock options is described beginning on page 46 in this proxy statement/prospectus.

Each share of E.mergent common stock held by E.mergent, ClearOne, or any direct or indirect wholly-owned subsidiary of ClearOne immediately prior to the effective time of the merger will be canceled and extinguished. Fifty thousand three hundred and seventeen (50,317) shares of E.mergent common stock currently held by E.mergent as treasury shares will be issued to E.mergent employees as part of an anticipated bonus prior to completion of the merger and will be treated as issued and outstanding shares at the effective time of the merger. The 50,317 shares will be allocated equally among all employees, for a bonus of approximately 689 shares each.

Conflicts of Interest of Directors and Officers (see page 38)

Some of E.mergent's directors and executive officers have interests in the merger that are different from, or in addition to, those of E.mergent stockholders generally. These include interests of James Hansen, E.mergent's Chief Executive Officer and Chairman, Robin Sheeley, the Chief Technical Officer and a director, and Jill Larson, the Vice President-Administration and Corporate Secretary. In the event that the employment of these executive officers is

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terminated immediately after the merger (as is currently anticipated for Mr. Hansen and Ms. Larson but not for Mr. Sheeley), it is estimated that the severance payments payable under their employment agreements, plus the value of the related benefits, would be approximately \$189,000 to Mr. Hansen, \$120,000 to Ms. Larson, and \$160,000 to Mr. Sheeley. Also, Mr. Hansen has an option to buy 10,000 E.mergent common shares at \$3.37 per share and Ms. Larson has an option to buy 3,333 E.mergent common shares at \$1.47, which options will become vested immediately prior to the closing of the merger. Ms. Larson and Messrs. Hanson

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and Sheeley will also each receive approximately 689 shares of E.mergent common stock when the treasury shares of E.mergent common stock are issued to employees as a bonus prior to completion of the merger.

E.mergent's board of directors was aware of these interests and considered them, among other matters, when it approved the merger agreement and the merger. All disinterested directors voted in favor of the merger.

The Merger Agreement (see page 46)

We have attached the merger agreement as Annex A to this proxy statement/prospectus. We urge you to read the merger agreement carefully. In addition to the features summarized below, in the merger agreement each company has made certain representations, warranties and agreements regarding the merger.

Conditions to Completion of the Merger. ClearOne's and E.mergent's obligations to complete the merger are subject to the satisfaction of conditions specified in the merger agreement, including the following:

- o adoption and approval of the merger agreement and approval of the merger by the requisite holders of the outstanding E.mergent common stock;
- o the absence of any law, injunction or order preventing the completion of the merger;
- o with regard to ClearOne's registration statement on Form S-4 of which this document forms a part, no stop order suspending its effectiveness may be in effect and no proceedings for suspension of its effectiveness may be pending before or threatened in writing by the Securities and Exchange Commission; and
- o the continuing accuracy of the representations and warranties of ClearOne and E.mergent contained in the merger agreement, subject to certain exceptions.

Except for the conditions that are required to be met by law, such as the first three items above, the conditions to completion of the merger may be waived by the company entitled to assert the condition. However, in the event that either E.mergent or ClearOne elect to waive a condition to closing that it's board of directors considers material, they intend to resolicit shareholder approval of the merger following appropriate disclosure of such waiver.

Termination of the Merger; Fees Payable. ClearOne and E.mergent may mutually agree to terminate the merger agreement without completing the merger. In addition, either ClearOne or E.mergent may terminate the merger agreement under certain circumstances, including any of the following:

- o if ClearOne and E.mergent do not complete the merger by May 31, 2002;
- o if the E.mergent stockholders do not adopt and approve the merger agreement and approve the merger, provided such failure is not the result of a breach by E.mergent; or
- o in the event that the weighted average closing price of ClearOne common stock as quoted on the Nasdaq National Market for the fifteen (15) trading days ending one day prior to the date of the scheduled completion of the merger is greater than \$23 or less than \$14.

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E.mergent may also terminate the merger agreement if it elects to enter into certain types of extraordinary transactions with a third party, such as a merger, business combination or sale of a material amount of assets or capital stock; it pays ClearOne the termination fees described below; and, otherwise complies with all of the restrictions in the merger agreement applicable to E.mergent's involvement with such an alternative proposal.

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ClearOne may also terminate the merger agreement if E.mergent stockholders holding 15% or more of the issued and outstanding shares of E.mergent elect to pursue dissenters' rights, whether such holders have perfected such rights or not. Additionally, ClearOne may terminate the merger under the following circumstances, in which case E.mergent must pay ClearOne the termination fees described below:

- o E.mergent's board of directors undertakes certain action, or fails to take certain action, unfavorable to the proposed merger, when addressing certain types of extraordinary transactions with a third party, such as a merger, exchange offer, business combination or sale of a material amount of assets or capital stock; or
- o E.mergent's board of directors withdraws, amends or modifies in a manner adverse to ClearOne the unanimous recommendation of its non-interested directors in favor of the adoption and approval of the merger agreement or the approval of the merger.

If the merger is terminated under the circumstances described above as requiring the payment of termination fees E.mergent must pay ClearOne a fee of \$1,000,000 in cash and reimburse ClearOne for up to \$500,000 in actual legal, accounting and advisory fees and costs incurred by ClearOne.

Alternatively, if ClearOne terminates the merger agreement for a material breach of any agreement on the part of E.mergent, or if any of E.mergent's representations or warranties are or become untrue in certain ways, then E.mergent must pay up to \$500,000 of ClearOne's actual legal, advisory and accounting fees incurred in connection with the merger. Conversely, if E.mergent terminates the merger agreement for a material breach of any agreement on the part of ClearOne, or if any of ClearOne's representations or warranties are or become untrue in certain ways, then ClearOne must pay up to \$500,000 of E.mergent's actual legal, advisory and accounting fees incurred in connection with the merger.

E.mergent Prohibited from Soliciting Other Offers (see page 52)

E.mergent has agreed that, while the merger is pending, it will not initiate or, subject to some exceptions, engage in discussions with third parties regarding some types of extraordinary transactions, such as a merger, business combination or sale of a material amount of assets or capital stock.

Share Ownership of Management

As of the close of business on the record date for the special meeting of E.mergent stockholders at which the merger agreement and the merger will be presented and voted upon, directors and executive officers of E.mergent (and their respective affiliates) collectively owned approximately 41% of the



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outstanding shares of E.mergent common stock. This does not include 342,000 shares of E.mergent common stock issuable upon the exercise of presently exercisable options which these directors and officers beneficially own. If all of these stock options had been exercised prior to the record date for the special meeting, the directors and executive officers of E.mergent (and their respective affiliates) would collectively own approximately 44% of the outstanding shares of E.mergent common stock entitled to vote at the special meeting.

Material United States Federal Income Tax Consequences of the Merger (see page 41)

Fredrikson & Byron, P.A., counsel to E.mergent, and Jones, Waldo, Holbrook & McDonough, P.C., counsel to ClearOne, have provided tax opinions regarding the material U. S. federal income tax consequences of the merger. In summary, the opinions provide that, assuming that the merger will qualify as a "reorganization" under section 368(a) of the Internal Revenue Code, E.mergent's stockholders will only recognize gain, if any, for federal income tax purposes, to the extent they receive cash in the merger. In addition, E.mergent stockholders will recognize gain or loss, as the case may be, to the extent they receive cash in lieu of the receipt of a fractional share of ClearOne's common stock. If the merger is completed at a time when the ClearOne common stock that you receive has a value less than the cash that you receive in the merger, however, the merger may not so qualify as a reorganization. This would occur if the value of the ClearOne stock declined below approximately \$10.25 per share at the time of the merger. In such event, E.mergent stockholders will recognize gain, if any, for federal income tax purposes, based on both the cash and the value of the ClearOne stock received in the merger.

Under the merger agreement, ClearOne and E.mergent may choose to complete the merger even though the value of the ClearOne common stock declines below \$10.25 and the merger does not qualify as a reorganization under Section 368(a) of the Internal Revenue Code. However, in the event that prior to closing, ClearOne and E.mergent determine, due a decline in the value of ClearOne common stock, the gain based on both the cash and ClearOne stock would be taxable because the merger did not qualify as a "reorganization," and neither E.mergent nor ClearOne terminates the merger due to such a decline as allowed under the merger agreement, ClearOne and E.mergent intend to advise E.mergent's shareholders of such circumstances and resolicit their approval of the merger.

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Tax matters are complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. We urge you to contact your own tax advisor to understand fully how the merger will affect you, including how any state, local, or foreign tax laws may apply to you.

Appraisal Rights (see page 43)

You are entitled to appraisal rights in connection with the merger under Section 262 of the Delaware General Corporate Law. If appraisal rights are available, the merger is completed, and you (1) file written notice with E.mergent of an intention to exercise appraisal rights prior to the time the vote is taken at the special meeting, (2) do not vote in favor of the merger agreement or merger and (3) follow the other procedures set forth in Section 262, you generally will be entitled to be paid the fair value of the shares of E.mergent common stock in cash for which appraisal rights have been perfected.

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You should carefully read the disclosure beginning on page 43 and included in Annex D. The exercise of appraisal rights is a complicated legal act and you should not rely solely on the disclosure in this document to inform you how to perfect your rights. Your failure to comply with the procedures described in Annex D will result in the loss of your appraisal rights.

Restrictions on the Ability to Sell ClearOne Common Stock Received in the Merger (see page 61)

Generally, the shares of ClearOne common stock that you receive in connection with the merger will be freely transferable unless you are deemed to be an affiliate of E.mergent or ClearOne prior to the completion of the merger under the Securities Act of 1933. Shares of ClearOne common stock received by E.mergent's or ClearOne's affiliates in the merger may only be sold in compliance with Rule 145 under the Securities Act of 1933. The ClearOne common stock is listed on the Nasdaq National Market under the symbol "CLRO."

Risks of the Merger (see page 20)

By voting to approve the merger, you will be choosing to invest in ClearOne common stock. An investment in ClearOne common stock involves a high degree of risk. In deciding whether to vote for the merger, you should carefully consider the risks that are discussed in detail in this proxy statement/prospectus under the caption "Risk Factors."

No Governmental Approvals or Regulatory Requirements

We are not aware of any material federal or state regulatory requirements or approvals required for completion of the merger, other than filing a certificate of merger in Delaware at or before the effective time of the merger.

Completion of the Merger

We will complete the merger when all of the conditions to completion of the merger contained in the merger agreement have been satisfied or waived. We currently expect that to occur promptly after the meeting of the E.mergent stockholders to vote on the merger. However, because the merger is subject to such conditions, some of which are beyond our control, we cannot predict the exact timing.

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### Selected Historical Financial Data

E.mergent

The following selected historical financial data for the most recent five fiscal years ended December 31, 2001 are derived from the audited financial statements of E.mergent. The historical data is only a summary and should be read in conjunction with the historical financial statements, related notes, and other financial information incorporated by reference herein.

Years Ended December 31,

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	2001 -----	2000 -----	1999 -----	19 ---
Operating Results				
-----				
Net sales.....	\$22,417,149	\$21,830,372	\$12,538,462	\$6,16
Cost of goods sold .....	14,322,420	13,767,699	7,188,236	3,62
Gross profit .....	8,094,729	8,062,673	5,350,226	2,53
Marketing and selling ...	3,446,311	3,023,696	1,373,275	1,05
General and administrative .....	3,104,752	3,128,010	2,267,163	1,14
Research and development.	662,719	781,616	852,400	64
Operating income (loss).....	880,947	1,129,351	857,388	(31
Other income (expense)..	(81,203)	(151,092)	(4,376)	8
Income (loss) from continuing operations before income taxes.....	799,744	978,259	853,012	(221
Income tax benefit (expense).....	(313,000)	56,000	25,000	2
Income (loss) from continuing operations.....	\$ 486,744	1,034,259	878,012	(19
	=====	=====	=====	=====
Earnings (loss) per common share:				
Basic earnings (loss) from continuing operations.....	\$ 0.08	\$ 0.18	\$ 0.18	\$
Diluted earnings (loss) from continuing operations.....	\$ 0.08	\$ 0.17	\$ 0.17	\$
Weighted average shares outstanding:				
Basic.....	5,844,860	5,741,330	4,969,244	3,91
Diluted.....	6,021,554	6,136,968	5,126,053	4,00
Balance sheet data:				
Current assets.....	\$ 8,404,046	\$10,028,843	\$ 7,285,825	\$4,13
Property, plant and equipment, net.....	473,482	624,890	833,681	46
Total assets .....	10,835,383	12,810,402	10,256,755	4,78
Current liabilities .....	2,483,507	4,655,584	4,099,368	79
Long-term debt and capital				

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leases, net of current maturities.....	403,245	654,136	98,418	2
Total stockholders' equity ...	7,648,213	7,190,194	5,950,729	3,96

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ClearOne

The following selected historical financial data for the most recent five fiscal years ended June 30, 2001 are derived from the audited consolidated financial statements of ClearOne. The financial data for the six-month periods ended December 31, 2001 and 2000 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, which ClearOne considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended December 31, 2001 are not necessarily indicative of the results that may be expected for the entire year ending June 30, 2002. The historical data is only a summary and should be read in conjunction with the historical consolidated financial statements, related notes, and other financial information incorporated by reference herein.

	Six Months Ended December 31,	
	2001	2000
	----	----
Continuing operating results:		
Net sales.....	\$23,802,681	\$19,013,379
Costs of goods sold .....	9,639,094	7,736,711
	-----	-----
Gross profit .....	14,163,587	11,276,668
Marketing and selling .....	5,232,153	3,823,572
General and administrative .....	2,558,786	2,497,052
Product development .....	1,921,523	1,040,495
	-----	-----
Operating income (loss) .....	4,451,125	3,915,549
Other income (expense) .....	210,558	182,806
	-----	-----
Income (loss) from continuing operations before income taxes .....	4,661,683	4,098,355
Provision for income taxes .....	1,758,096	1,551,990
	-----	-----
Income (loss) from continuing operations .....	\$ 2,903,587	\$ 2,546,365
	=====	=====
Earnings per common share:		
Basic earnings (loss) from continuing operations .....	\$ 0.33	\$ 0.30
Diluted earnings (loss) from continuing operations .....	\$ 0.31	\$ 0.28

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Weighted average shares outstanding:		
Basic .....	8,800,239	8,567,730
Diluted .....	9,368,505	9,029,617

Balance sheet data:

Current assets.....	\$41,355,746	\$17,295,639
Property, plant and equipment, net .....	3,855,540	3,339,184
Total assets .....	57,540,874	23,654,073
Current liabilities .....	3,104,380	3,335,282
Long-term debt, net of current maturities	--	--
Capital leases, net of current maturities	17,110	96,451
Total stockholders' equity .....	51,543,736	20,017,340

Years Ended June 30,

	2001 ----	2000 ----	1999 ----	1998 ----
Continuing operating results:				
Net sales.....	\$39,878,405	\$28,118,413	\$20,268,102	\$15,159,84
Costs of goods sold .....	16,503,062	11,008,323	8,907,754	7,434,24
Gross profit .....	23,375,343	17,110,090	11,360,348	7,725,60
Marketing and selling .....	7,753,292	6,165,917	4,313,639	3,189,01
General and administrative .....	4,648,999	3,132,125	2,544,665	2,470,94
Product development .....	2,502,169	1,270,819	1,194,686	864,27
Operating income (loss) .....	8,470,883	6,541,229	3,307,358	1,201,36
Other income (expense) .....	373,147	179,336	(78,112)	(213,70
Income (loss) from continuing operations before income taxes .....	8,844,030	6,720,565	3,229,246	987,65
Provision for income taxes .....	3,318,845	2,418,823	1,208,900	26,69
Income (loss) from continuing operations .....	\$ 5,525,185	\$ 4,301,742	\$ 2,020,346	\$ 960,96
Earnings per common share:				
Basic earnings (loss) from continuing operations .....	\$ 0.64	\$ 0.52	\$ 0.25	\$ 0.1
Diluted earnings (loss) from continuing operations .....	\$ 0.61	\$ 0.49	\$ 0.24	\$ 0.1
Weighted average shares outstanding:				
Basic .....	8,593,510	8,269,941	8,080,536	7,679,98
Diluted .....	9,015,644	8,740,209	8,468,884	7,960,25

Balance sheet data:

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Current assets.....	\$19,295,720	\$14,816,321	\$ 9,281,753	\$ 5,828,36
Property, plant and equipment, net .....	3,696,615	3,050,349	2,125,959	2,320,33
Total assets .....	27,597,623	17,920,531	11,519,414	8,311,74
Current liabilities .....	2,301,886	2,756,780	2,494,666	1,919,42
Long-term debt, net of current maturities	--	--	--	402,58
Capital leases, net of current maturities	48,227	205,530	455,389	752,72
Total stockholders' equity .....	24,501,510	14,753,221	8,352,359	5,237,00

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information gives effect to the acquisitions of Ivron Systems, Ltd. and E.mergent by ClearOne. Effective October 3, 2001, ClearOne, through a wholly owned subsidiary, acquired the shares of Ivron Systems for a combination of cash and stock. The share purchase agreement dated October 3, 2001 was amended April 8, 2002. On January 21, 2002, ClearOne entered into a definitive agreement to acquire the stock of E.mergent for a combination of cash and stock. Both of these acquisitions either have been or will be accounted for under the purchase method of accounting. The unaudited pro forma condensed combined statements of operations for the year ended June 30, 2001 and the six months ended December 31, 2001 have been prepared as if each transaction occurred on July 1, 2000, whereas the pro forma condensed combined balance sheet as of December 31, 2001 has been prepared as if each transaction occurred on December 31, 2001. Please see the notes to these pro forma combined condensed statements regarding certain assumptions utilized in the preparation of the statements.

ClearOne's fiscal year ends on June 30 while the fiscal years of Ivron Systems and E.mergent historically ended on December 31. Accordingly, ClearOne has combined its historical results from continuing operations for the year ended June 30, 2001 with the unaudited financial results of Ivron Systems and E.mergent for the fiscal year ended June 30, 2001, comprising the last six months of operations of Ivron Systems and E.mergent for the year ended December 31, 2000 and the first six months of operations of Ivron Systems and E.mergent for the year ended December 31, 2001. The unaudited pro forma condensed combined statement of operations presented for the six months ended December 31, 2001 includes the historical unaudited financial results from continuing operations of ClearOne and E.mergent for the six months ended December 31, 2001. The historical unaudited financial results from continuing operations of Ivron Systems are included from July 1, 2001 to October 2, 2001, with the results from October 3, 2001 to December 31, 2001 already consolidated in ClearOne's operating results.

Unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have actually been reported had the transactions occurred on the proforma dates indicated above, nor is it necessarily indicative of future financial position or results of operations. These unaudited pro forma condensed combined financial statements are based on the respective historical financial statements of ClearOne, Ivron Systems and E.mergent and do not incorporate, nor do they assume, any benefits

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from cost savings or synergies of operations of the combined company. The unaudited pro forma condensed combined financial information should be read together with ClearOne's historical financial statements and those of Ivron Systems and E.mergent, including the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all of which are incorporated by reference.

Pro forma results of operations include adjustments, which are based upon management's preliminary estimates, to reflect the allocation of the purchase consideration to the acquired assets and liabilities of E.mergent. The final allocation of the purchase consideration will be determined after completion of the merger and will be based on appraisals and a comprehensive final evaluation of the fair value of E.mergent's tangible assets, liabilities and identifiable intangible assets after completion of the merger. Accordingly, while ClearOne does not anticipate that the final valuation and related intangible asset allocation will differ significantly from the preliminary valuation, the final determination of tangible and intangible assets may result in depreciation and amortization expense that is higher than the preliminary estimates of these amounts.

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Unaudited Pro Forma Financial Information  
Pro Forma Condensed Combined Balance Sheets  
As of December 31, 2001  
(in 000's)

	ClearOne (Historical)	Pro Forma Adjustments for Ivron Acquisition	E.mergent (Historical)	Pr Adj E. Acq
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 26,801		\$ 807	\$
Accounts receivable, net	8,349		3,300	
Note receivable - current portion	258			
Inventory	4,895		3,736	
Deferred taxes	247		425	
Other current assets	806		136	
Total current assets	41,356		8,404	
Property and equipment, net	3,856		473	
Goodwill, net	2,810	\$ 90	999	B
Note receivable, long-term portion	1,606		42	
Other intangible assets, net	7,841	(2,220)	692	A
Deposits and other assets	72		225	
Total assets	\$57,541	\$ (2,130)	\$ 10,835	\$
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities				
Accounts payable	\$ 1,585		\$ 862	
Accrued expenses	1,418		619	

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Current portion of unearned maintenance contracts				764
Current portion of capital lease and long-term debt obligations	101			238
Total current liabilities	3,104			2,483
Unearned maintenance contracts				300
Long-term debt and capital lease obligations	17			403
Deferred consideration - Ivron	2,130	\$ (2,130)	A	
Deferred tax liability	746			
Total liabilities	5,997	(2,130)		3,186
Shareholders' equity				
Common stock	10			59
Additional paid in capital	33,100			7,864
Treasury stock				(73)
Note receivable from shareholder				(122)
Retained earnings (accumulated deficit)	18,434			(79)
Total shareholders' equity	51,544			7,649
Total liabilities and shareholders' equity	\$ 57,541	\$ (2,130)		\$ 10,835

See accompanying notes to unaudited pro forma condensed combined financial statements.

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Unaudited Pro Forma Condensed Combined Statements of Operations  
For the six months ended December 31, 2001  
(in 000's)

	ClearOne (Historical)	Ivron Systems (Historical)	Pro Forma Adjustments for Ivron Systems Acquisition	
Net sales	\$23,803	\$ 47		
Cost of goods sold	9,639	343		
Gross profit (loss)	14,164	(296)		
Operating expenses				
Marketing and selling	5,232	304		
General and administrative	2,559	695	\$ (46)	B
Research and product development	1,922	116	139	C
Total operating expenses	9,713	1,115	93	



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Operating income (loss)	4,451	(1,411)	(93)
Other income (expense)	211	(126)	
Income (loss) from continuing operations before income taxes	4,662	(1,537)	(93)
Provision (benefit) for income taxes	1,758		(35) D
Income (loss) from continuing operations	\$ 2,904	\$ (1,537)	\$ (58)
Basic earnings per common share	\$ 0.33		
Diluted earnings per common share	\$ 0.31		
Weighted average shares outstanding:			
Basic	8,800		
Diluted	9,369		

	Pro Forma Combined for Ivron Systems Acquisition	E.mergent (Historical)	Pro Forma Adjustments for E.mergent Acquisition	
Net sales	\$23,850	\$11,846		
Cost of goods sold	9,982	7,587		
Gross profit (loss)	13,868	4,259		
Operating expenses				
Marketing and selling	5,536	1,623		
General and administrative	3,208	1,487	\$ (112)	B
Research and product development	2,177	341		
Total operating expenses	10,921	3,451	(112)	
Operating income (loss)	2,947	808	112	
Other income (expense)	85	(18)		
Income (loss) from continuing operations before income taxes	3,032	790	112	
Provision (benefit) for income taxes	1,723	309	42	D
Income (loss) from continuing operations	\$ 1,309	\$ 481	\$ 70	
Basic earnings per common share				
Diluted earnings per common share				
Weighted average shares outstanding:				
Basic				
Diluted				

See accompanying notes to unaudited pro forma condensed  
combined financial statements

Unaudited Pro Forma Condensed Combined Statements of Operations  
 For the fiscal year ended June 30, 2001  
 (in `000s)

	ClearOne (Historical)	Ivron (Historical)	Pro Forma Adjustments for Ivron Systems Acquisition	
-----				
Net sales	\$39,878	\$ 608		
Cost of goods sold	16,503	798		
-----				
Gross profit (loss)	23,375	(190)		
Operating expenses				
Marketing and selling	7,753	1,588		
General and administrative	4,649	555	\$ (182)	B
Research and product development	2,502	732	555	C
-----				
Total operating expenses	14,904	2,875	373	
-----				
Operating income (loss)	8,471	(3,065)	(373)	
Other income (expense)	373			
-----				
Income (loss) from continuing operations before income taxes	8,844	(3,065)	(373)	
Provision (benefit) for income taxes	3,319		(139)	D
-----				
Income (loss) from continuing operations	\$ 5,525	\$ (3,065)	\$ (234)	
=====				
Basic earnings per common share	\$ 0.64			
Diluted earnings per common share	\$ 0.61			
Weighted average shares outstanding:				
Basic	8,594			
Diluted	9,016			
	Pro Forma Combined for Ivron Systems Acquisition	E.mergent (Historical)	Pro Forma Adjustments for E.mergent Acquisition	
-----				
Net sales	\$40,486	\$22,503	\$ (188)	L
Cost of goods sold	17,301	14,270	(188)	L
-----				
Gross profit (loss)	23,185	8,233		

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Operating expenses				
Marketing and selling	9,341	3,449		
General and administrative	5,022	3,276	(224)	B
Research and product development	3,789	689		
	-----			
Total operating expenses	18,152	7,414	(224)	
	-----			
Operating income (loss)	5,033	819	224	
	-----			
Other income (expense)	373	(151)		
	-----			
Income (loss) from continuing operations before income taxes	5,406	668	224	
Provision (benefit) for income taxes	3,180	(70)	83	D
	-----			
Income (loss) from continuing operations	\$ 2,226	\$ 738	\$ 141	
	=====			
Basic earnings per common share				
Diluted earnings per common share				
Weighted average shares outstanding:				
Basic				
Diluted				

See accompanying notes to unaudited pro forma condensed  
combined financial statements

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Notes to Unaudited Pro Forma Condensed Combined Financial Information

NOTE 1.

On October 3, 2001, ClearOne executed a share purchase agreement, which was amended on April 8, 2002, with the shareholders of Ivron Systems. ClearOne paid cash of \$6,000,000 for all issued and outstanding shares of Ivron Systems, cash of \$650,000 for all outstanding options to purchase common shares of Ivron Systems, and incurred acquisition costs of \$274,000 in the transaction. Additional consideration may be issued to Ivron Systems' shareholders if certain contingencies related to future earnings targets as defined in the share purchase agreement are met. The following is a summary of the purchase price allocation using the October 3, 2001 balance sheet of Ivron Systems (in 000's):

Cash	\$ 460
Accounts receivable	132
Inventory	608
Fixed assets	21
Goodwill and other intangible assets	6,144
Accounts payable	(175)
Accrued expenses	(266)
	-----
Total	\$6,924
	=====

On January 21, 2002, ClearOne entered into a definitive agreement to acquire E.mergent. Under the terms of the agreement, ClearOne will acquire all of the issued and outstanding stock of E.mergent; thereby acquiring title to all assets and assuming all liabilities of E.mergent. As consideration in the transaction, ClearOne will pay cash of \$7,300,000 and issue 873,000 shares of its common stock, less the aggregate number of shares of common stock allocated to

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E.mergent's outstanding stock options assumed by ClearOne in the merger because, in accordance with the agreement and plan of merger, the 873,000 shares of ClearOne common stock are allocated first to E.mergent stock options being assumed by ClearOne. Outstanding E.mergent stock options will be converted to options to purchase ClearOne's common stock at the ratio specified in the agreement and plan of merger. The value of such stock consideration is based on ClearOne's average closing price two days prior to and two days subsequent to January 21, 2002 (the announcement date for the acquisition and merger) of \$16.55. Additionally, ClearOne expects to incur acquisition costs of \$890,000 in the transaction (including approximately \$312,000 for anticipated severance payments to terminating E.mergent executives). E.mergent expects to incur transaction related costs of approximately \$850,000. Such costs will be paid immediately prior to the merger. The following is a summary of the preliminary purchase price allocation using the December 31, 2001 balance sheet of E.mergent (in 000's):

Cash	\$	(43)
Accounts receivable		3,300
Inventory		3,736
Fixed assets		473
Other assets		678
Shareholder receivable		122
Goodwill and other intangible assets		16,775
Accounts payable		(862)
Accrued expenses and customer deposits		(619)
Unearned maintenance contracts		(1,064)
Capital leases and long-term debt		(641)
		-----
Total	\$	21,855
		=====

The purchase price was determined as follows:

Cash to be paid to E.mergent shareholders	\$	7,300
Value of ClearOne common stock issued to E.mergent shareholders (751,181 shares x \$16.55)		12,432
Fair value of ClearOne options issued to E.mergent option holders, determined using the Black-Scholes model		1,233
Acquisition costs to be paid by ClearOne		890
		-----
Total purchase price	\$	21,855
		=====

### NOTE 2.

The unaudited pro forma condensed combined balance sheet includes the adjustments necessary to give effect to the Ivron Systems and E.mergent acquisitions as if they had occurred on December 31, 2001 as noted above. The unaudited pro forma condensed combined statements of operations include the adjustments necessary to give effect to the Ivron Systems and E.mergent acquisitions as if they had occurred on July 1, 2000. Adjustments included in the pro forma condensed combined financial statements are summarized as follows:

- (A) On April 8, 2002, ClearOne completed its negotiations of an amendment to the Ivron Systems share purchase agreement whereby the future contingent consideration to be received by the Ivron shareholders was reduced. Such

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amendment resulted from the determination that certain of the intended benefits of the Ivron acquisition have not been achieved and are likely not to be achieved. Based on these negotiations and the resulting amendment to the Ivron share purchase agreement, the purchase price allocation has been adjusted to reflect the overall decrease in the purchase price of Ivron. The revised purchase price allocation was based on an analysis performed by an independent financial consulting firm, LECG, LLC. The revised final calculation has the effect of decreasing the fair value of the intangible assets previously recorded. Therefore, the deferred consideration originally recorded was also reduced. The initial deferred consideration reflected the difference between the fair value of the assets acquired and the cash consideration paid, pursuant to the provisions of FASB Statement No. 141 (FAS No. 141), Business Combinations. Deferred consideration still may be paid out if certain contingencies related to future earnings targets, as defined in the amended share purchase agreement between ClearOne and the Ivron Systems shareholders, are met. However, any such additional consideration will be allocated to goodwill.

- (B) Elimination of E.mergent and Ivron historical goodwill and other intangibles (and the related amortization) that were or will be revalued as part of the purchase price allocation.
- (C) Values were assigned to intangibles related to the Ivron Systems acquisition as follows: developed technology - \$5,780,000; goodwill - \$364,000. These allocations are based upon a final report from LECG, LLC, an independent financial consulting firm. The developed technology was determined to have useful lives as follows, with the resulting impact on amortization expense:

Value of Technology	Useful Life	Amortization for the	
		Six months ended December 31, 2001	Fiscal Year ended June 30, 2001
\$ 135,000	3	\$ 11,250	\$ 45,000
1,002,000	5	50,100	200,400
4,643,000	15	77,383	309,533
----- \$ 5,780,000		----- \$138,733 (i)	----- \$ 554,933
=====		=====	=====

- (i) Reflects the amortization expense from July 1, 2001 to October 2, 2001, the period prior to the acquisition of Ivron Systems by ClearOne.
- (D) The tax impact of amortization, as calculated using ClearOne's blended statutory rate of 37.2%.
- (E) Cash consideration to be paid to former E.mergent shareholders of \$7,300,000 plus ClearOne and E.mergent transaction costs of \$1,740,000.
- (F) Amount represents goodwill of \$16,775,000 including capitalized acquisition costs of approximately \$890,000 (including approximately \$312,000 for anticipated severance payments to terminating E.mergent executives). For purposes of these pro forma financial statements and based upon a preliminary valuation by LECG, LLC, ClearOne's independent financial consulting firm, the excess of the purchase price over the fair value of the tangible assets acquired has been allocated to

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goodwill. Based on LECG, LLC'S preliminary analysis, ClearOne does not believe that any material value should be allocated to acquired intangible assets other than goodwill. Accordingly, pursuant to FAS No. 142, Goodwill and Other Intangible Assets, no related amortization has been reflected in the accompanying pro forma statements of operations.

- (G) Represents the elimination of an investment that was deemed to have no future value to ClearOne.
- (H) Represents the fair value, as determined in accordance with FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation--An Interpretation of APB Opinion 25, of the vested options to purchase ClearOne common stock that were issued in exchange for vested options to purchase E.mergent common stock in conjunction with the agreement and plan of merger. The weighted average fair value of the ClearOne options is approximately \$10.12, using the Black-Scholes method, as determined using the following assumptions: volatility of 62%, weighted average expected life of the options of approximately 2 years, dividend yield of 0%, and risk-free interest rate of 4.38%.
- (I) Elimination of E.mergent's historical equity.
- (J) In accordance with the agreement and plan of merger, the treasury stock held by E.mergent, which consisted of 50,317 shares, will be distributed to E.mergent employees immediately prior to the consummation of the merger.
- (K) Reflects the value of the shares of ClearOne common stock issued to holders of E.mergent common stock as follows: (751,181 shares x \$16.55 per share). The per share price is based on ClearOne's average closing price two days prior to and two days subsequent to January 21, 2002 (the announcement date for the acquisition and merger) and assumes that no

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E.mergent stock options outstanding on the date of the merger agreement have been exercised.

- (L) Elimination of sales and related cost of sales between ClearOne and E.mergent.

HISTORICAL AND PRO FORMA COMPARATIVE PER SHARE DATA

The following table compares historical and unaudited pro forma earnings (loss) per share and book value per share information for ClearOne and E.mergent. You should read the table together with the financial information for ClearOne and E.mergent incorporated by reference in this proxy statement/prospectus. You should not rely on the pro forma financial information as an indication of the results that ClearOne would have achieved if the merger had taken place earlier or of the results of ClearOne after the merger.

The unaudited equivalent pro forma per share data are calculated based on the unaudited pro forma combined per share data (which gives effect to the Ivron acquisition and the private placement transaction as well as the E.mergent acquisition) multiplied by an exchange ratio of 0.20102 of a share of ClearOne common stock for each share of E.mergent common stock outstanding. This exchange ratio (i) reflects the average closing price of the ClearOne common stock two days prior to and two days subsequent to January 21, 2002 of \$16.55, and (ii) assumes that no E.mergent stock options outstanding on the date of the merger agreement have been exercised. The actual exchange ratio will not be determined until shortly before the completion of the merger and will impact the pro forma per share amounts shown on this page. Neither ClearOne nor E.mergent has ever declared or paid dividends.

	Fiscal Year Ended June 30, 2001 -----	Six Months December 31 -----
CLEARONE HISTORICAL:		
Basic earnings per share from continuing operations	\$ 0.64	\$ 0.
Diluted earnings per share from continuing operations	0.61	0.
Book value per share	2.84	5.
E.MERGENT:		
Basic earnings per share (unaudited)	0.13	0.
Diluted earnings per share (unaudited)	0.12	0.
Book value per share (unaudited)	1.25	1.
UNAUDITED PRO FORMA COMBINED:		
Basic earnings per share	0.29	0.
Diluted earnings per share	0.27	0.
Book value per share	--	5.
UNAUDITED EQUIVALENT PRO FORMA COMBINED:		
Basic earnings per share	0.06	0.
Diluted earnings per share	0.05	0.
Book value per share	--	1.

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### COMPARATIVE PER SHARE MARKET PRICE DATA

E.mergent common stock is traded on the Nasdaq SmallCap Market under the symbol "EMRT." ClearOne common stock is traded on the Nasdaq National Market under the symbol "CLRO."

The following table shows the closing prices per share of E.mergent common stock and ClearOne common stock as reported on the Nasdaq SmallCap Market and the Nasdaq National Market, respectively, on (1) January 18, 2002, the business day preceding the public announcement that ClearOne and E.mergent had entered into the merger agreement and (2) April 25, 2002.

The following table also includes the equivalent price per share of E.mergent common stock on those dates. This equivalent per share price reflects the combined value of the ClearOne common stock and cash that you would receive for each share of your E.mergent common stock if the merger had been completed on any of these dates.

	E.mergent Common Stock -----	ClearOne Common Stock -----	Equiv Price -----
January 18, 2002	\$2.95	\$17.16	\$3.
April 25, 2002	\$3.35	\$16.45	\$3.

(1) Represents the combined value of cash (\$1.23) and stock (\$2.18).

(2) Represents the combined value of cash (\$1.23) and stock (\$2.08). Assumes that no E.mergent stock options were exercised after January 18, 2002.

Because the market price of E.mergent common stock and ClearOne common stock may increase or decrease before the completion of the merger, you are urged to obtain current market quotations.

### RISK FACTORS

By voting in favor of the approval of the merger agreement and merger, E.mergent stockholders will be choosing to invest in ClearOne common stock. An investment in ClearOne common stock involves a high degree of risk. In addition to the other information contained in this proxy statement/prospectus, E.mergent stockholders should carefully consider the following risk factors in deciding whether to vote for the merger. Any of the following risks could seriously harm ClearOne's or E.mergent's business and financial results and cause the value of ClearOne's or E.mergent's securities to decline which, in turn, could cause you to lose all or part of your investment.

#### Risks Relating to the Merger



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The ClearOne common stock to be received by E.mergent stockholders in the merger and E.mergent's common stock will fluctuate in value.

Upon completion of the merger, each share of common stock of E.mergent will be exchanged for a specific amount of cash and a fraction of a share of ClearOne common stock. The cash portion and the share portion that you receive as merger consideration will depend on a number of factors including the weighted-average closing price of ClearOne stock during the ten (10) trading days ending one day prior to the completion of the merger and the number of E.mergent stock options exercised prior to the merger. (See page 46 of this document for a description of the merger consideration). The specific dollar value of ClearOne common stock that you will receive upon completion of the merger will depend on the market value of ClearOne common stock on the date of completion of the merger, and could vary significantly from its current value. The specific dollar value of the E.mergent common stock that you will exchange in the merger could also vary from its current value. The value of both companies' stock has been volatile and you should expect them to continue to fluctuate. These values may substantially decrease from the date you submit your proxy. We urge you to obtain recent market quotations for ClearOne common stock and E.mergent common stock. Neither ClearOne nor E.mergent can predict or give any assurance as to the respective market prices of its common stock at any time before or after completion of the merger.

ClearOne may experience problems integrating the businesses of ClearOne and E.mergent. Difficulties in integrating the businesses, operations, product lines and personnel of ClearOne and E.mergent could cause ClearOne to not realize the expected benefits of the merger and incur unanticipated costs.

If ClearOne fails to successfully integrate E.mergent's business into ClearOne's business, ClearOne will incur substantial costs, which will increase its expenses and potentially decrease profitability. ClearOne's ability to achieve the benefits of the merger will depend in part on the integration of technology, operations, products and personnel of ClearOne and E.mergent. The integration process will be a complex, time-consuming and expensive process. The challenges involved in this integration include the following:

- o retaining the combined company's customers and suppliers by maintaining client service standards, business focus and product quality during the period of integration;
- o retaining certain key employees that are important to the profitable growth of ClearOne's and E.mergent's combined business;
- o developing and implementing uniform standards, controls, procedures and policies;
- o implementing potential cost savings measures by eliminating redundant operations and expenses without causing customer service and employee morale to suffer; and
- o effectively integrating different administrative and information systems at multiple, geographically dispersed locations in an efficient and timely manner.

If ClearOne is unsuccessful in integrating E.mergent's business into its own, the combined revenues could fall or grow at a slower rate than anticipated, ClearOne could incur substantial unexpected expenses, and ClearOne could fail to realize the anticipated benefits of the merger.

In addition, any integration problems ClearOne experiences could divert

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ClearOne management's attention from other business opportunities, which could result in slower revenue growth than anticipated or in declines in revenue.

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ClearOne may not realize the expected benefits of the merger due to difficulties with maximizing the anticipated advantages of combining the businesses.

ClearOne's ability to achieve the benefits of the merger will also depend in part on its ability to take advantage of the combined company's product and customer base. There is no assurance that ClearOne will be able to efficiently and effectively utilize the company's combined customer base to take advantage of cross-selling opportunities that will result in the sale of more products than if the companies were separate. ClearOne will need to successfully integrate and adapt each company's product line to create new product offerings that are attractive to customers. The challenges faced by ClearOne and E.mergent in maximizing the anticipated advantages of combining the businesses include:

- o combining sales efforts and procedures so that customers can easily do business with the combined company, and sales agents can effectively access the customers of the other company; and
- o combining product offerings and product lines effectively and quickly, including technical integration by each company's respective engineering teams.

Customer uncertainty or concerns about the merger could have an adverse effect on revenues and profitability in near-term quarters for either or both companies.

ClearOne's and E.mergent's customers may, in response to the announcement or consummation of the merger, delay or defer purchasing decisions. This could occur because they may be reluctant to purchase either company's product if they are uncertain about the direction of the combined company's product offerings and its willingness to support and service existing products. Specifically, certain customers of E.mergent are competitive with ClearOne in certain product markets and such customers could be reluctant to continue its historical purchasing patterns with the involvement of ClearOne. Similarly, certain customers of ClearOne have been competitive with E.mergent and there could be concerns that the combined company would result in additional competition for them. Since announcement of the merger, ClearOne and E.mergent have received questions from current and prospective customers about the status of the merger and anticipated product integration plans, which have not yet been determined. If one large customer, or a significant group of small customers, were to delay their purchase decisions pending resolution of the merger or seek products from other vendors, the quarterly revenues of either ClearOne or E.mergent could be below expectations.

The merger could impair existing company relationships with employees, thereby increasing employee related expenses.

E.mergent's and ClearOne's employees may experience uncertainty about their future role with the combined company. ClearOne has yet to announce its strategies with regard to employee changes resulting from the merger. This may adversely affect the combined company's ability to retain or attract key management, marketing and technical personnel. Such employee uncertainty could also cause employee productivity to suffer.

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Officers and directors of E.mergent have potential conflicts of interest.

E.mergent stockholders should be aware of potential conflicts of interest and the benefits available to E.mergent directors when considering E.mergent's board of directors' recommendation to approve the transaction. E.mergent officers and directors have stock options, indemnification rights and/or employment agreements that provide them with interests in the transaction that are different from, or in addition to, interests of E.mergent stockholders. These interests include the following:

- o the accelerated vesting of stock options upon completion of the merger;
- o the receipt of severance benefits under employment agreements upon termination of employment following the merger; and
- o the indemnification and insurance coverage with respect to acts taken and omissions to take action in their capacities as directors and officers of E.mergent.

The E.mergent board of directors was aware of these interests when it approved the merger agreement and merger. For a more detailed description of these interests, see "Interests of E.mergent Officers and Directors in the Transaction" on page 38.

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Due to the preliminary nature of the purchase price allocation, the impact of additional amortization of intangibles other than goodwill and subsequent impairment analyses of goodwill relating to the merger could adversely affect ClearOne's future operating results.

In accordance with United States generally accepted accounting principles that apply to ClearOne, ClearOne will account for the merger using the purchase method of accounting. Under purchase accounting, ClearOne will record the following as the cost of acquiring the business of E.mergent:

- o the cash paid to E.mergent stockholders in the merger;
- o the market value of ClearOne common stock issued in connection with the merger;
- o the fair value, using the Black-Scholes model, of the options to acquire ClearOne common stock that are issued to holders of options to purchase E.mergent common stock in connection with the merger; and
- o the amount of direct transaction costs paid by ClearOne.

ClearOne will allocate the cost of the items described above to the individual assets acquired and liabilities assumed, including intangible assets such as acquired technology based on their respective fair values. Any excess of the consideration paid over the fair values of tangible and identifiable intangible assets will be recorded as goodwill. Intangible assets other than goodwill, if any, will be amortized over their respective useful lives. In accordance with the provisions of FASB Statement No. 142, "Goodwill and Other Intangible Assets," ClearOne will not amortize any goodwill recorded. Instead, such goodwill will be evaluated for potential impairment on at least an annual basis. Any impairment will be recorded in the period in which it is determined

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to exist. The amount of purchase cost allocated to goodwill and other intangibles is estimated to be approximately \$16.8 million, computed using the estimated purchase price of \$21.9 million which is based on the average closing price (\$16.55) of ClearOne's common stock two days prior to and two days subsequent to January 21, 2002.

Although ClearOne does not anticipate that a material change will occur, the estimated goodwill reflected in the unaudited condensed combined balance sheet as of December 31, 2001 could change upon completion of the merger and the receipt of a final independent valuation of intangible assets based on the final purchase price, which will subsequently be requested by ClearOne. In the event the final purchase price valuation results in an allocation of a portion of the purchase price to other intangible assets, which are subject to amortization, pro forma amortization expense could be higher than the amount currently reflected in the pro forma statements of operations.

ClearOne and E.mergent expect to incur significant costs associated with the merger.

ClearOne estimates that it will incur direct transaction costs of approximately \$890,000 associated with the merger (including approximately \$312,000 for anticipated severance payments to terminating E.mergent executives), which will be included as a part of the total purchase price for accounting purposes. In addition, E.mergent estimates that it will incur direct transaction costs of approximately \$850,000, including the fees and expenses payable to Goldsmith, Agio, Helms in connection with the merger (which fees will be in large part determined by the value of the ClearOne common stock and cash paid by ClearOne, calculated at the time of the merger). See "The Merger and Related Transaction - Opinion of E.mergent's Financial Advisor beginning on page 34 of this document. ClearOne believes the combined company may incur charges to operations, which currently cannot be reasonably estimated, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the businesses and operations of ClearOne and E.mergent. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

The merger may be terminated by either ClearOne or E.mergent in the event the closing price of ClearOne common stock does not fall within a certain range.

Under the terms of the merger agreement, if the weighted-average closing price of ClearOne common stock as quoted on the Nasdaq National Market for the fifteen (15) trading days ending one day prior to the date of the scheduled completion of the merger is greater than \$23 or less than \$14, either ClearOne or E.mergent may terminate the merger agreement. As a result, the merger may not be completed if either company concludes it is not in its best interest to complete the merger because of a substantial increase or decrease in the closing price of the ClearOne common stock.

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Failure to complete the merger could have a negative impact on ClearOne's and E.mergent's stock price and future business.

If the merger is not completed, ClearOne and E.mergent may be subject to the following material risks, among others:

- o ClearOne may be required to pay E.mergent up to \$500,000 of

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- E.mergent's expenses incurred in connection with the merger;
- o E.mergent may be required to pay ClearOne a termination fee of \$1,000,000 plus an additional amount of up to \$500,000 of ClearOne's expenses incurred in connection with the merger;
- o the price of ClearOne and E.mergent common stock may decline to the extent that the current market price of their respective common stock reflects a market assumption that the merger will be completed;
- o costs related to the merger, such as legal and accounting fees and some of the fees of E.mergent's financial advisor, must be paid even if the merger is not completed; and
- o the diversion of management attention from the day-to-day businesses of ClearOne and E.mergent and the unavoidable disruption to their employees and their relationships with customers and suppliers during the period before