

CLEARONE COMMUNICATIONS INC  
Form DEF 14A  
October 12, 2007

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**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):

- No fee required.  
 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 number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule-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:
-

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD NOVEMBER 20, 2007**

**TO THE SHAREHOLDERS:**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of ClearOne Communications, Inc. (the "Company"), a Utah Corporation, will be held on Tuesday, November 20, 2007, at 9:00 A.M. MST, at the Company's corporate offices, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116.

Please note that attendance at the Annual Meeting will be limited to shareholders of record (or their authorized representatives) at the close of business on October 1, 2007. Proof of ownership can be a copy of the enclosed proxy card.

The following describes the purpose of the Annual Meeting:

1. To elect four members of the Company's Board of Directors;
2. To approve the Company's 2007 Equity Incentive Plan
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. The Board of Directors recommends that an affirmative vote be cast in favor of all nominees and for each of the proposals listed in the proxy card.

All shareholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to mark, sign, date, and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if such shareholder has previously returned a proxy.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Greg A. LeClaire  
Greg A. LeClaire  
Corporate Secretary

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**CLEARONE COMMUNICATIONS, INC.  
PROXY STATEMENT**

The enclosed Proxy is solicited on behalf of the Board of Directors of ClearOne Communications, Inc. (the "Company") for use at the Company's 2007 Annual Meeting of Shareholders ("Annual Meeting") to be held November 20, 2007 at 9:00 A.M. MST, or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the above date and time at the Company's corporate offices, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116.

These proxy solicitation materials are being first furnished to shareholders of the Company on or about October 15, 2007.

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**Record Date and Shares Outstanding**

Shareholders of record at the close of business on October 1, 2007 (the "Record Date") are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, 10,937,539 shares of Common Stock were issued and outstanding. Each shareholder will be entitled to one vote for each share of Common Stock held on the record date.

**Voting of Proxies**

By completing and returning the accompanying proxy, the shareholder authorizes Zeynep Hakimoglu, Chairman and Chief Executive Officer, and Greg A. LeClaire, Vice-President Finance, as designated on the face of the proxy, to vote all shares for the shareholder. All proxies that are properly signed and dated will be voted as the shareholder directs. If no direction is given, executed proxies will be voted FOR each of the nominees and listed proposals.

**Vote Required for Approval**

A quorum of the shares of the Company must be present at the Annual Meeting in order for the shareholders to take official action. Under Utah law and the Articles of Incorporation and Bylaws of the Company, a quorum will exist if a majority of the shares issued by the Company and entitled to vote on a matter at the Annual Meeting are present, in person or by proxy. Abstentions and broker non-votes will be considered present at the Annual Meeting and will be counted for purposes of determining whether a quorum exists, but abstentions and broker non-votes will not be counted for purposes of determining the vote on any matter currently proposed for action at the Annual Meeting. The election of directors will be determined by plurality vote. The approval of the 2007 Equity Compensation Plan requires the vote of a majority of the shareholders that are present at the meeting in person or by proxy. The Board of Directors recommends that an affirmative vote be cast in favor of all nominees and for the proposal listed in the proxy card.

**Revocability of Proxies**

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

**Solicitation**

The cost of this solicitation will be borne by the Company. In addition, the Company 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 the Company's directors, officers, and regular employees, without additional compensation, personally or by telephone, facsimile, or telegram.

## PROPOSAL ONE - ELECTION OF DIRECTORS

The Company had five directors as of October 1, 2007. The term of each of our directors expires at the 2007 Annual Meeting. At the 2007 Annual Meeting the number of directors comprising the Board of Directors will be reduced from five to four. Four are nominated for reelection at the Annual Meeting to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified. Unless otherwise instructed, the proxies will be voted for the election of the four nominees named below. In the event any nominee is unable to serve, the proxies will be voted for a substitute nominee, if any, to be designated by the Board of Directors. The Board of Directors has no reason to believe any nominee will be unavailable.

### THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ELECTION OF THE NOMINEES NAMED BELOW TO THE BOARD OF DIRECTORS.

#### Nominees for Director

The following individuals were directors of the Company as of October 1, 2007. All but Harry Spielberg are nominated for reelection as directors of the Company:

Name	Age	Position with ClearOne Communications, Inc.	Director Since
Zeynep "Zee" Hakimoglu	54	Chairman, Chief Executive Officer, and President	2006
Brad R. Baldwin	51	Director	1988
Larry R. Hendricks	64	Director	2003
Scott M. Huntsman	42	Director	2003
Harry Spielberg	51	Director	2001

**Zee Hakimoglu** joined our Board of Directors in April 2006. Ms. Hakimoglu joined us 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. 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; 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 wireless business unit Vice-President 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 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.





**Brad R. Baldwin** joined our Board of Directors in October 1988. Mr. Baldwin is an attorney licensed to practice in Utah. Since April 2001, he has been engaged in the commercial real estate business with Commerce CRG in Salt Lake City, Utah. From February 2000 to March 2001, Mr. Baldwin was an executive with Idea Exchange Inc. From October 1994 to January 2000, he served as President and Chief Executive Officer of Bank One, Utah, a commercial bank headquartered in Salt Lake City, Utah. Mr. Baldwin holds a Degree in Finance from the University of Utah and a Juris Doctorate Degree from the University of Washington.

**Larry R. Hendricks** joined our Board of Directors in 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 was also 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. Mr. Hendricks is currently a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants.

**Scott M. Huntsman** joined our Board of Directors in June 2003. Mr. Huntsman has served as President and Chief Executive Officer of GlobalSim, a private technology and simulation company, since February 2003 and Chief Financial Officer from April 2002 to February 2003. Prior to GlobalSim, he spent 11 years on Wall Street as an investment banker, where he focused on mergers, acquisitions, and corporate finance transactions. From August 1996 to 2000, Mr. Huntsman served at Donaldson, Lufkin and Jenrette Securities Corporation until their merger 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.

Security holders who would like to send communications to the Board may do so by submitting such communications to ClearOne Communications, Inc., 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116, Attention: Corporate Secretary. The communications will then be forwarded to the 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.

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

The following table sets forth certain information regarding ownership of our common stock as of August 30, 2007 by (i) each person known to us to be the beneficial owner of more than 5 percent of our outstanding common stock, (ii) each director, (iii) the named executive officers, and (iv) all of our named executive officers and directors as a group. Each person has sole investment and voting power with respect to the shares indicated, subject to community property laws where applicable, except as otherwise indicated below. The address for each director and officer is in care of ClearOne Communications, Inc., 5225 Wiley Post Way, 5<sup>th</sup> Floor, Salt Lake City, Utah 84116.

Names of Beneficial Owners	Amount of Beneficial Ownership	Percentage of Class <sup>1</sup>
<b>Beneficial Owners</b>		
Edward Dallin Bagley <sup>2</sup>	1,866,883	16.1%
FMR Corp.	940,503	8.1%
Royce & Associates Inc.	710,344	6.1%
Total	3,517,730	30.3%
<b>Directors and Executive Officers</b>		
Zee	225,489	1.9%
Hakimoglu <sup>4</sup>		
Brad R. Baldwin <sup>3</sup>	223,082	1.9%
Harry Spielberg <sup>5</sup>	100,416	0.9%
Tracy A. Bathurst <sup>6</sup>	89,087	0.8%
Larry R. Hendricks <sup>7</sup>	50,416	0.4%
Scott M. Huntsman <sup>8</sup>	50,416	0.4%
Marthes Solanuthu <sup>9</sup>	24,983	0.2%
Greg A. LeClaire <sup>10</sup>	11,274	0.1%
Steven Andresen <sup>11</sup>	0	0.0%

Directors  
and  
Executive  
Officers as a  
Group  
(9 people)<sup>12</sup>      775,163      6.7%

<sup>1</sup> For each individual included in the table, the calculation of percentage of beneficial ownership is based on 10,962,711 shares of common stock outstanding as of August 30, 2007 and shares of common stock that could be acquired by the individual within 60 days of August 30, 2007, upon the exercise of options or otherwise.

<sup>2</sup> Includes 126,166 shares held by Mr. Bagley's spouse with respect to which he disclaims beneficial ownership and options to purchase 48,416 shares that are exercisable within 60 days after August 30, 2007.

<sup>3</sup> Includes 88,666 shares held in the Baldwin Family Trust; 9,000 shares owned directly, which are held in an IRA under the name of Mr. Baldwin; and options to purchase 125,416 shares that are exercisable within 60 days after August 30, 2007.

<sup>4</sup> Includes options to purchase 204,166 shares that are exercisable within 60 days after August 30, 2007.

<sup>5</sup> Includes options to purchase 100,416 shares that are exercisable within 60 days after August 30, 2007.

<sup>6</sup> Includes options to purchase 88,589 shares that are exercisable within 60 days after August 30, 2007.

<sup>7</sup> Includes options to purchase 50,416 shares that are exercisable within 60 days after August 30, 2007.

<sup>8</sup> Includes options to purchase 50,416 shares that are exercisable within 60 days after August 30, 2007.

<sup>9</sup> Includes options to purchase 19,444 shares that are exercisable within 60 days after August 30, 2007.

<sup>10</sup> Includes options to purchase 0 shares that are exercisable within 60 days after August 30, 2007.

<sup>11</sup> Includes options to purchase 0 shares that are exercisable within 60 days after August 30, 2007.

<sup>12</sup> Includes options to purchase a total of 638,863 shares that are exercisable within 60 days after August 30, 2007 by executive officers and directors.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, as amended, requires our directors and executive officers, and persons who own more than 10 percent 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 percent 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, we believe that all reports required by Section 16(a) were filed on a timely basis.

### EXECUTIVE OFFICERS

Our executive officers as of October 1, 2007 are as follows:

Name	Age	Position with ClearOne Communications, Inc.
Zee Hakimoglu	54	President, Chief Executive Officer, and Chairman of the Board of Directors
Greg A. LeClaire	38	Vice-President of Finance and Corporate Secretary
Tracy A. Bathurst	43	Chief Technology Officer
Steven P. Andresen	39	Vice-President of Worldwide Sales
Marthes Solamuthu	34	Vice-President of Operations

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

**Greg A. LeClaire** joined us in September 2006 as our Vice President of Finance. Mr. LeClaire served as Vice President of Finance and Administration with Livedeal.com, an early stage online classifieds website, from April 2006

to August 2006. He held a 12-year career in a variety of senior finance and accounting positions with Utah Medical Products (UTMD), a publicly traded specialty medical device company, including serving as Vice President and Chief Financial Officer from January 2001 to April 2006. He earned a Bachelor of Science degree in Accounting from the University of Utah and a Master of Science degree in Management from Stanford University.

**Tracy A. Bathurst** joined us in September 1988 and held several positions with us until he was named Chief Technology Officer in August 2007. He was most recently ClearOne's Vice-President of Product Line Management and has nearly 20 years experience in defining and developing communications-related products and technology. Mr. Bathurst has led the design and development of ClearOne's high performance audio and telecommunications equipment. He earned a Bachelor of Science degree in Industrial Technology from Southern Utah University.

**Steven P. Andresen** joined us in January 2007 as our Vice President of Worldwide Sales. Mr. Andresen brings 13 years of enterprise technology sales and management experience to ClearOne. From May 2002 to August 2007, he served as regional vice president, responsible for global accounts, for SBC Communications (now AT&T) in its Advanced Enterprise Sales (AES) business unit, a network integration, emerging technologies and value added reseller. Mr. Andresen also served as SBC's regional vice president in charge of 14 western states for AES. Prior to May 2002, Mr. Andresen held a variety of technology sales and sales management roles with such leading companies as Compaq Computer, Cable and Wireless and Cincinnati Bell Long Distance. In these roles, he led over \$600 million in sales technology hardware and services sales, partnering with more than 100 technology firms such as Cisco, Nortel, Network Associates, Avaya, 3Comm, Hewlett-Packard, Deloitte and Touche and others. He has also partnered with dealers, end users, distributors and value-added resellers at the regional, national and international levels. His experience has focused on telecom and information technology product distribution and all aspects of client sales relationships. Mr. Andresen earned a bachelor of arts degree in business administration and psychology from Hope College in Holland, Michigan.

**Marthes Solamuthu** joined us in August 2006. From January 2001 to August 2006, Mr. Solamuthu was Senior Operations Manager for Venture Corporation, one of the world's largest contract manufacturing companies, where he oversaw two manufacturing plants and had full responsibility for large-scale production, materials purchasing, planning, engineering, quality, program management and sales. He earlier held a variety of senior manufacturing positions with Ericsson Mobile, Motorola and Western Digital. He earned a bachelor's degree in mechanical engineering from Technology University, in Malaysia. In addition to English, Mr. Solamuthu speaks Bahasa (spoken in Malaysia and Indonesia), Chinese (Cantonese) and Tamil (spoken in India).

## EXECUTIVE COMPENSATION

**The Compensation Committee.** The Compensation Committee makes recommendations to the Board of Directors regarding remuneration of our executive officers and directors and administers the incentive plans for our directors, officers, and key employees. The Compensation Committee is currently composed of Brad R. Baldwin (Chair), Scott M. Huntsman and Harry Spielberg. The Compensation Committee sets the overall compensation principles for the Company, subject to annual review. In consultation with the Chief Executive Officer, it establishes the individual compensation levels for Company executives.

The directors who serve on the Compensation Committee are all "independent" for purposes of the rules of the National Association of Securities Dealers. That is, the Board of Directors has determined that none of the Compensation Committee members have a relationship to the Company that would interfere with that person's exercise of independent judgment in carrying out the responsibilities of a director.

**Compensation Committee Interlocks and Insider Participation.** No interlocking relationships exist between any member of the Company's Board of Directors or Compensation Committee and any member of the Board of Directors or Compensation Committee of any other company nor has any such interlocking relationship existed in the past. No member of the Compensation Committee is or was formerly an executive officer or an employee of the Company or its subsidiaries. The Compensation Committee is currently composed of Brad R. Baldwin (Chair), Scott M. Huntsman and Harry Spielberg.

**Compensation Discussion and Analysis.** The following discussion and analysis provides information regarding the Company's executive compensation objectives and principles, procedures, practices and decisions, and is provided to help give perspective to the numbers and narratives that follow in the tables in this section. This discussion focuses on the Company's objectives, principles, practices and decisions with regards to the compensation of the Company's named executive officers.

The Company's 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 the Company;
- To use incentive compensation to reinforce strategic performance objectives;
- To align the interest of the executives with the interests of the shareholders such that risks and rewards of strategic decisions are shared; and
- To reflect the value of each officer's position in the marketplace and within the company.

**Policies and Practices Related to ClearOne's Compensation Program.** ClearOne strives 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 is 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 ClearOne's performance as measured by financial metrics and are well-suited to motivate officers to achieve specific performance goals that the Compensation Committee and management have determined are in the best interest of the 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 the 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 Committee periodically reviews the companies that are included as comparable companies and makes revisions to the group as appropriate.

**Equity Grant Practices.** The 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 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 a