UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One)

[x] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to ___________

Commission file number 001-33660

CLEARONE, INC.
(Exact name of registrant as specified in its charter)

Utah	**87-0398877**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
5225 Wiley Post Way, Suite 500, Salt Lake City, Utah	**84116**
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	**801-975-7200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name on each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐Yes ☒No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐Yes ☒No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Larger Accelerated Filer ☐	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the shares of voting common stock held by non-affiliates was approximately $60.1 million at June 30, 2014, (the Company's most recently completed second fiscal quarter), based on the $9.83 closing price for the Company's common stock on the NASDAQ Capital Market on such date. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

The number of shares of ClearOne common stock outstanding as of January 8, 2016 was 9,148,596.

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A (this "Form 10-K/A") to the Annual Report on Form 10-K of ClearOne, Inc., a Utah corporation (referred to as "ClearOne", "we", "us", "our" or the "Company") for the fiscal year ended December 31, 2014, originally filed with the Securities and Exchange Commission ("SEC") on March 31, 2015 (the "Original 10-K"), and as amended through Amendment No. 1 filed with the SEC on April 30, 2015 ("Amendment No. 1"), is being filed to: (i) replace Part II, Item 8 and Part IV, Item 15 to reflect the re-audit by Tanner LLC following the withdrawal of the audit report provided along with the initial filing of the Original 10-K as the result of the resignation of RSM US LLP (formerly McGladrey LLP) as disclosed on Form 8-K filed on October 14, 2015; (ii) to replace the related XBRL files as Exhibit 101 to this Form 10-K/A which incorporates XBRL references to subsequent events occurring after the Original 10-K was filed; and (iii) to include a consent from the Company’s current independent registered public accounting firm, Tanner LLC, as reflected in Exhibit 23.1, and a new consent from the Company’s predecessor independent registered public accounting firm, RSM US LLP (formerly McGladrey LLP), as reflected in Exhibit 23.2.

As required by Rule 12b-15, in connection with this Form 10-K/A, the Company's Chief Executive Officer and Chief Financial Officer have reissued applicable portions of their Rule 13a-14(a) certifications. Accordingly, Part IV, Item 15 has been amended to reflect the filing of such certifications herewith.

Except as described above, this Form 10-K/A does not modify or update disclosures in the Original 10-K. This Form 10-K/A reflects events occurring after the date of the Original 10-K or Amendment No. 1. Information not affected by this Form 10-K/A remains unchanged and reflects the disclosures made at the time the Original 10-K was filed.

CLEARONE, INC.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements reflect our views with respect to future events based upon information available to us at this time. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from these statements. Forward-looking statements are typically identified by the use of the words "believe," "may," "could," "will," "should," "expect," "anticipate," "estimate," "project," "propose," "plan," "intend," and similar words and expressions. Examples of forward-looking statements are statements that describe the proposed development, manufacturing, and sale of our products; statements that describe expectations regarding pricing trends, the markets for our products, our anticipated capital expenditures, our cost reduction and operational restructuring initiatives, and future impact of regulatory developments; statements with regard to the nature and extent of competition we may face in the future; statements with respect to the anticipated sources of and need for future financing; and statements with respect to future strategic plans, goals, and objectives and forecasts of future growth and value. Forward-looking statements under "Business" included in Item 1 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of Part II of the Original 10-K have not changed and are not repeated in this filing. The forward-looking statements are based on present circumstances and on our predictions respecting events that have not occurred, that may not occur, or that may occur with different consequences and timing than those now assumed or anticipated. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the risk factors discussed in this report under the caption "Item 1A Risk Factors" of the Original 10-K. These cautionary statements are intended to be applicable to all related forward-looking statements wherever they appear in this report. The cautionary statements contained or referred to in this report should also be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. Any forward-looking statements are made only as of the date of this report and we assume no obligation to update forward-looking statements to reflect subsequent events or circumstances.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data required by this are included herein as a separate section of this Form 10-K/A, beginning on page F-1, and are incorporated in this Item 8 by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Financial Statements: Financial statements set forth under Part II, Item 8 of this Annual Report on Form 10-K/A are filed in a separate section of this Form 10-K/A. See the "Index to Consolidated Financial Statements".

2. Financial Statement Schedules: All schedules are omitted since they either are not required, not applicable or the information is presented in the accompanying consolidated financial statements and notes thereto.

3. Exhibits: The exhibits listed under the Index of exhibits in the next page are filed or incorporated by reference as part of this Form 10-K/A.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	Exhibit Incorporated Herein by Reference	Filing Date
2.2	Agreement and Plan of Merger, dated as of November 3, 2009, by and among ClearOne Communications, Inc., Alta-Wasatch Acquisition Corporation, NetStreams, Inc., Austin Ventures VIII, L.P., and Kevin A. Reinis.	8-K	2.2	11/09/09
3.1	Amended and Restated Articles of Incorporation of ClearOne, Inc.	10-K	3.1	03/25/13
3.2	Bylaws	10-K	3.2	03/31/11
10.1*	Employment Separation Agreement between ClearOne Communications, Inc. and Frances Flood, dated December 5, 2003	10-K	10.1	08/18/05
10.2*	Employment Termination Agreement between ClearOne Communications, Inc. and Susie Strohm, dated December 5, 2003	10-K	10.1	08/18/05
10.3	1997 Employee Stock Purchase Plan	S-8	4.9	10/06/06
10.4	1998 Stock Option Plan	S-8	4.8	10/06/06
10.5	2007 Equity Incentive Plan	S-8	4.7	01/22/08
10.6	Office Lease between Edgewater Corporate Park, LLC and ClearOne Communications, Inc. dated June 5, 2006	10-K	10.19	09/14/06
10.7	Stock Purchase Agreement Between ClearOne, Inc. and Doran M. Oster Dated March 4, 2014 for the Sabine Acquisition.	10-K	10.7	03/20/14
10.8	Manufacturing Services Agreement between Flextronics Industrial, Ltd. and ClearOne Communications, Inc. dated November 3, 2008	10-K	10.21	10/13/09
10.9	Framework Agreement between ClearOne, Inc. and Dialcom Networks S.L., dated December 20, 2013	8-K	10.1	04/07/14
10.10	Amendment to Framework Agreement between ClearOne, Inc. and Dialcom Networks S.L., dated March 31, 2014	8-K	10.2	04/07/14
10.11	Purchase Agreement between ClearOne, Inc. and Dialcom Networks S.L., dated March 31, 2014	10-Q	10.3	05/14/14
14.1	Code of Ethics, approved by the Board of Directors on August 23, 2006	10-K	14.1	09/14/06
21.1	Subsidiaries of the registrant	10-K	21.1	03/31/15
23.1†	Consent of Tanner LLC, Independent Registered Public Accounting Firm			
23.2†	Consent of RSM US LLP, Independent Registered Public Accounting Firm			
31.1†	Section 302 Certification of Chief Financial Officer			
31.2†	Section 302 Certification of Chief Financial Officer			
32.1†	Section 906 Certification of Chief Financial Officer			
32.2†	Section 906 Certification of Chief Financial Officer			
101.INS††	XBRL Instance Document			
101.SCH††	XBRL Taxonomy Extension Schema			
101.CAL††	XBRL Taxonomy Extension Calculation Linkbase			
101.DEF††	XBRL Taxonomy Extension Definitions Linkbase			
101.LAB††	XBRL Taxonomy Extension Label Linkbase			
101.PRE††	XBRL Taxonomy Extension Presentation Linkbase			

* Constitutes a management contract or compensatory plan or arrangement.
† Filed herewith
†† Filed herewith, reflects amended interactive data originally filed with Form 10-K on March 31, 3015.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEARONE, INC.
Registrant

/s/ *Zeynep Hakimoglu*
Zeynep Hakimoglu
President, Chief Executive Officer and Chairman of the Board
January 13, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ *Zeynep Hakimoglu*
Zeynep Hakimoglu
President, Chief Executive Officer and Chairman of the Board
January 13, 2016

/s/ Narsi Narayanan
Narsi Narayanan
Senior Vice President of Finance
January 13, 2016

/s/ *Brad R. Baldwin*
Brad R. Baldwin
Director
January 13, 2016

/s/ *Larry R. Hendricks*
Larry R. Hendricks
Director
January 13, 2016

/s/ *Scott M. Huntsman*
Scott M. Huntsman
Director
January 13, 2016

/s/ Eric L. Robinson
Eric L. Robinson
Director
January 13, 2016

CLEARONE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of ClearOne, Inc.

We have audited the accompanying consolidated balance sheet of ClearOne, Inc. and subsidiaries (collectively, the Company) as of December 31, 2014, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for year then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ClearOne, Inc. and subsidiaries as of December 31, 2014, and the consolidated results of their operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ TANNER LLC

Salt Lake City, Utah
January 13, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of ClearOne, Inc.

We have audited the accompanying consolidated balance sheet of ClearOne, Inc. and subsidiaries (the Company) as of December 31, 2013 and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ClearOne, Inc. and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ *RSM US LLP*

Irvine, California
March 19, 2014

CLEARONE, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,440	$ 17,192
Marketable securities	6,994	3,200
Receivables, net of allowance for doubtful accounts of $58 and $129, as of December 31, 2014 and 2013 respectively	9,916	9,378
Inventories	12,766	10,758
Distributor channel inventories	1,698	1,520
Deferred income taxes	3,824	3,325
Prepaid expenses and other assets	2,143	2,693
Total current assets	44,781	48,066
Long-term marketable securities	19,162	22,326
Long-term inventories, net	876	551
Property and equipment, net	2,039	1,825
Intangibles, net	7,896	3,710
Goodwill	12,724	3,472
Deferred income taxes	1,265	1,024
Other assets	117	87
Total assets	$ 88,860	$ 81,061
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,057	$ 2,730
Accrued liabilities	2,694	1,761
Deferred product revenue	5,004	4,158
Total current liabilities	10,755	8,649
Deferred rent	248	286
Other long-term liabilities	1,841	1,791
Total liabilities	12,844	10,726
Shareholders' equity:		
Common stock, par value $0.001, 50,000,000 shares authorized, 9,097,827 and 8,986,080 shares issued and outstanding as of December 31, 2014 and 2013, respectively	9	9
Additional paid-in capital	44,939	41,311
Accumulated other comprehensive income (loss)	(8)	23
Retained earnings	31,076	28,992
Total shareholders' equity	76,016	70,335
Total liabilities and shareholders' equity	$ 88,860	$ 81,061

See accompanying notes

CLEARONE, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share amounts)

	Year ended December 31,	
	2014	2013
Revenue	$ 57,909	$ 49,592
Cost of goods sold	22,586	19,735
Gross profit	35,323	29,857
Operating expenses:		
Sales and marketing	11,227	8,896
Research and product development	8,969	7,562
General and administrative	7,152	6,416
Proceeds from litigation, net	—	(639)
Total operating expenses	27,348	22,235
Operating income	7,975	7,622
Other income, net	254	147
Income before income taxes	8,229	7,769
Provision for income taxes	(2,633)	(2,590)
Net income	$ 5,596	$ 5,179
Basic earnings per common share	$ 0.61	$ 0.57
Diluted earnings per common share	$ 0.58	$ 0.55
Basic weighted average shares outstanding	9,166,769	9,064,340
Diluted weighted average shares outstanding	9,581,326	9,455,518
Comprehensive income:		
Net income	$ 5,596	$ 5,179
Other comprehensive income:		
Unrealized gain on available-for-sale securities, net of tax	14	23
Change in foreign currency translation adjustment	(45)	—
Comprehensive income	$ 5,565	$ 5,202

See accompanying notes

CLEARONE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
As of December 31, 2012	9,163,462	$ 9	$ 40,430	$ —	$ 26,229	$ 66,668
Exercise of stock options	122,650	—	489	—	—	489
Stock repurchased	(300,087)	—	—	—	(2,416)	(2,416)
Tax benefit - stock option exercises	—	—	96	—	—	96
Stock-based compensation expense	—	—	296	—	—	296
Employee stock purchase plan	55	—	—	—	—	—
Unrealized gain on available-for-sale securities, net of tax	—	—	—	23	—	23
Net income	—	—	—	—	5,179	5,179
As of December 31, 2013	8,986,080	9	41,311	23	28,992	70,335
Exercise of stock options	234,432	—	1,337	—	—	1,337
Stock repurchased	(272,767)	—	—	—	(2,598)	(2,598)
Cash dividends ($0.10 per share)	—	—	—	—	(914)	(914)
Stock issued - Sabine acquisition	150,000	—	1,679	—	—	1,679
Tax benefit - stock option exercises	—	—	211	—	—	211
Stock-based compensation expense	—	—	401	—	—	401
Employee stock purchase plan	82	—	—	—	—	—
Unrealized gain on available-for-sale securities, net of tax	—	—	—	14	—	14
Foreign currency translation adjustment	—	—	—	(45)	—	(45)
Net income	—	—	—	—	5,596	5,596
As of December 31, 2014	9,097,827	$ 9	$ 44,939	$ (8)	$ 31,076	76,016

See accompanying notes

CLEARONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities:		
Net income	$ 5,596	$ 5,179
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,972	1,422
Amortization of deferred rent	(79)	(110)
Stock-based compensation expense	401	296
Provision for doubtful accounts	(71)	69
Write-down of inventory to net realizable value	946	996
Loss on disposal of assets	—	49
Tax benefit from exercise of stock options	(211)	(104)
Deferred income taxes	(495)	(6)
Changes in operating assets and liabilities:		
Receivables	(251)	(1,059)
Inventories	(2,614)	(998)
Prepaid expenses and other assets	844	(1,251)
Accounts payable	(84)	428
Accrued liabilities	1,451	(408)
Income taxes payable	(947)	(14,782)
Deferred product revenue	858	565
Other long-term liabilities	(606)	(238)
Net cash provided by (used in) operating activities	6,710	(9,952)
Cash flows from investing activities:		
Payment towards business acquisitions	(13,068)	—
Purchase of property and equipment	(642)	(1,040)
Purchase of intangibles	(90)	—
Proceeds from maturities of marketable securities	4,650	—
Purchase of marketable securities	(5,266)	(25,502)
Net cash used in investing activities	(14,416)	(26,542)
Cash flows from financing activities:		
Net proceeds from equity-based compensation programs	1,337	489
Tax benefits from equity-based compensation programs	211	104
Stock registration costs	(55)	—
Dividend payments	(914)	—
Payments for stock repurchases	(2,598)	(2,416)
Net cash used in financing activities	(2,019)	(1,823)
Effect of exchange rate changes on cash and cash equivalents	(27)	—
Net (decrease) in cash and cash equivalents	(9,752)	(38,317)
Cash and cash equivalents at the beginning of the year	17,192	55,509
Cash and cash equivalents at the end of the year	$ 7,440	$ 17,192

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year ended December 31,	
	2014	2013
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3	$ —
Cash paid for income taxes	3,017	18,021
Issuance of common stock in connection with acquisition of Sabine	1,679	—

See accompanying notes

CLEARONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share amounts)

1. Business Description, Basis of Presentation and Significant Accounting Policies

Business Description:

ClearOne, Inc., together with its subsidiaries (collectively, “ClearOne” or the “Company”), is a global company that designs, develops and sells conferencing, collaboration, streaming and digital signage solutions for audio and visual communications. The performance and simplicity of its advanced comprehensive solutions offer unprecedented levels of functionality, reliability and scalability.

Basis of Presentation:

Fiscal Year – This report on Form 10-K/A includes financial statements for the years ended December 31, 2014 and 2013.

Consolidation – These consolidated financial statements include the financial statements of ClearOne, Inc. and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Key estimates in the accompanying consolidated financial statements include, among others, revenue recognition, allowances for doubtful accounts and product returns, provisions for obsolete inventory, valuation of long-lived assets, and deferred income tax asset valuation allowances. Actual results could differ materially from these estimates.

Foreign Currency Translation – We are exposed to foreign currency exchange risk through our foreign subsidiaries. Other than our Spain subsidiary, our foreign subsidiaries are U.S. dollar functional, for which gains and losses arising from remeasurement are included in earnings. Our Spain subsidiary is Euro functional, for which gains and losses arising from translation are included in accumulated other comprehensive income or loss. We translate and remeasure foreign assets and liabilities at exchange rates in effect at the balance sheet dates. We translate revenue and expenses using average rates during the year.

Concentration Risk – We depend on an outsourced manufacturing strategy for our products. We outsource the manufacture of all of our products to third-party manufacturers located in both the U.S. and Asia. If any of these manufacturers experience difficulties in obtaining sufficient supplies of components, component prices significantly exceeding the anticipated costs, an interruption in their operations, or otherwise suffer capacity constraints, we would experience a delay in production and shipping of these products which would have a negative impact on our revenues. Should there be any disruption in services due to natural disaster, economic or political difficulties, transportation restrictions, acts of terror, quarantine or other restrictions associated with infectious diseases, or other similar events, or any other reason, such disruption may have a material adverse effect on our business. Operating in the international environment exposes us to certain inherent risks, including unexpected changes in regulatory requirements and tariffs, and potentially adverse tax consequences, which could materially affect our results of operations. Currently, we have no second source of manufacturing for a portion of our products.

Significant Accounting Policies:

Cash Equivalents – The Company considers all highly-liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. The Company places its temporary cash investments with high-quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Marketable Securities - The Company has classified its marketable securities as available-for-sale securities. These securities are carried at estimated fair value with unrealized holding gains and losses included in accumulated other comprehensive income/loss in shareholders' equity until realized. Gains and losses on marketable security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned.

(Dollars in thousands, except share and per share amounts)

A decline in the market value of any available-for-sale security below cost that is deemed other than temporary results in a charge to earnings and establishes a new cost basis for the security. Losses are charged against “Other income” when a decline in fair value is determined to be other than temporary. We review several factors to determine whether a loss is other than temporary. These factors include, but are not limited to: (i) the extent to which the fair value is less than cost and the cause for the fair value decline, (ii) the financial condition and near term prospects of the issuer, (iii) the length of time a security is in an unrealized loss position and (iv) our ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. There were no other-than-temporary impairments recognized during the years ended December 31, 2014 and 2013.

Accounts Receivable – Accounts receivable are recorded at the invoiced amount. Generally, credit is granted to customers on a short-term basis without requiring collateral, and as such, these accounts receivable, do not bear interest, although a finance charge may be applied to such receivables that are past due. The Company extends credit to customers who it believes have the financial strength to pay. The Company has in place credit policies and procedures, an approval process for sales returns and credit memos, and processes for managing and monitoring channel inventory levels.

The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. Management regularly analyzes accounts receivable including current aging, historical write-off experience, customer concentrations, customer creditworthiness, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. We review customer accounts quarterly by first assessing accounts with aging over a specific duration and balance over a specific amount. We review all other balances on a pooled basis based on past collection experience. Accounts identified in our customer-level review as exceeding certain thresholds are assessed for potential allowance adjustment if we conclude the financial condition of that customer has deteriorated, adversely affecting their ability to make payments. Delinquent account balances are written off if the Company determines that the likelihood of collection is not probable. If the assumptions that are used to determine the allowance for doubtful accounts change, the Company may have to provide for a greater level of expense in future periods or reverse amounts provided in prior periods.

The Company’s allowance for doubtful accounts activity for the years ended December 31, 2014 and 2013 was as follows:

	Year ended December 31,	
	2014	2013
Balance at beginning of the year	$ 129	$ 60
Allowance increase (decrease)	(49)	96
Write offs, net of recoveries	(22)	(27)
Balance at end of the year	$ 58	$ 129

Inventories – Inventories are valued at the lower of cost or market, with cost computed on a first-in, first-out (“FIFO”) basis. In addition to the price of the product purchased, the cost of inventory includes the Company’s internal manufacturing costs, including warehousing, engineering, material purchasing, quality and product planning expenses and applicable overhead, not in excess of estimated realizable value. Consideration is given to obsolescence, excessive levels, deterioration, direct selling expenses, and other factors in evaluating net realizable value.

Distributor channel inventories include products that have been delivered to customers for which revenue recognition criteria have not been met.

The inventory also includes advance replacement units (valued at cost) provided by the Company to end-users to service defective products under warranty. The value of advance replacement units included in the inventory was $47 and $45, as of December 31, 2014 and 2013, respectively.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Gains or losses from the sale, trade-in or retirement of property and equipment are recorded in current operations and the related book value of the property is removed from property and equipment accounts and the related accumulated depreciation and amortization accounts. Estimated useful lives are generally two to ten years. Depreciation and amortization are calculated over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvement amortization is computed using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets.

Goodwill and Intangible Assets – Intangible assets acquired in a purchase business combination are amortized over their useful lives unless these lives are determined to be indefinite. Intangible assets are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, which are generally three to ten years. Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized. In accordance with the provisions of FASB ASC Topic 350, *Intangibles – Goodwill and Other*, the Company tests goodwill and other intangible assets with indefinite lives for impairment at least annually at the beginning of the fourth quarter, or sooner if a triggering event occurs suggesting possible impairment of the values of these assets. Impairment testing for these assets involves a two-step process. In the first step, the fair value of the reporting unit holding the assets is compared to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of the impairment loss, if any. In the second step, the fair value of the reporting unit is allocated to all of its assets and liabilities, including intangible assets and liabilities not recorded on the balance sheet. The excess, if any, of the fair value of the reporting unit over the sum of the fair values allocated to identified assets and liabilities is the value of goodwill to be compared to its carrying value (See Note 3 – Business Combinations, Goodwill and Intangibles). ClearOne and all of its subsidiaries are considered as one reporting unit for this purpose.

Impairment of Long-Lived Assets – Long-lived assets, such as property, equipment, and definite-lived intangibles subject to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated future undiscounted net cash flows of the related asset or group of assets over their remaining lives. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent of other groups of assets. The impairment of long-lived assets requires judgments and estimates. If circumstances change, such estimates could also change.

Revenue Recognition – Product revenue is recognized when (i) the products are shipped, (ii) persuasive evidence of an arrangement exists, (iii) the price is fixed and determinable, and (iv) collection is reasonably assured.

The Company provides a right of return on product sales to certain distributors and other resellers under a product rotation program. Under this seldom-used program, once a quarter, a distributor or reseller is allowed to return products purchased during the prior 180 days for a total value generally not exceeding 15% of the distributor's or reseller’s net purchases during the preceding quarter. The distributor or reseller is, however, required to place a new purchase order for an amount not less than the value of products returned under the stock rotation program. When products are returned, the associated revenue, cost of goods sold, inventory and accounts receivable originally recorded are reversed. When the new order is fulfilled, the revenue, associated cost of goods sold, inventory and accounts receivable are recorded and the product revenue is subject to the deferral analysis described below. In a small number of cases, the distributors are also permitted to return products for other business reasons.

Revenue from product sales to distributors is not recognized until the return privilege has expired or until it can be determined with reasonable certainty that the return privilege has expired, which approximates when product is sold-through to customers of the Company’s distributors (dealers, system integrators, value-added resellers, and end-users) rather than when the product is initially shipped to a distributor. At each quarter-end, the Company evaluates the inventory in the channel through information provided by our distributors. The level of inventory in the channel will fluctuate up-ward or down-ward each quarter, based upon its distributors’ individual operations. Accordingly, at each quarter-end, the deferral for revenue and associated cost of goods sold are calculated and recorded based upon the actual channel inventory reported at quarter-end. Further, with respect to distributors and other channel partners not reporting the channel inventory, the revenue and associated cost of goods sold are deferred until the Company receives payment for the product sales made to such distributors or channel partners.

The amount of deferred cost of goods sold is included in distributor channel inventories.

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The details of deferred revenue and associated cost of goods sold and gross profit are as follows:

	As of December 31,	
	2014	2013
Deferred revenue	$ 5,004	$ 4,158
Deferred cost of goods sold	1,698	1,520
Deferred gross profit	$ 3,306	$ 2,638

The Company offers rebates and market development funds to certain of its distributors, dealers/resellers, and end-users based upon the volume of product purchased by them. The Company records rebates as a reduction of revenue in accordance with GAAP.

The Company provides, at its discretion, advance replacement units to end-users on defective units of certain products under warranty. Since the purpose of these units is not revenue generating, the Company tracks the units due from the end-user, valued at retail price, until the defective unit has been returned, but no receivable balance is maintained on the Company's balance sheet.

Sales and Similar Taxes - Taxes collected from customers and remitted to government authorities are reported on a net basis and thus are excluded from revenues.

Shipping and Handling Costs – Shipping and handling billed to customers is recorded as revenue. Shipping and handling costs are included in cost of goods sold.

Warranty Costs – The Company accrues for warranty costs based on estimated warranty return rates and estimated costs to repair. These reserve costs are classified as accrued liabilities on the consolidated balance sheets. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty returns, and repair cost. The Company reviews the adequacy of its recorded warranty accrual on a quarterly basis.

The details of changes in the Company's warranty accrual are as follows:

	Year ended December 31,	
	2014	2013
Balance at the beginning of year	$ 338	$ 385
Accruals/additions	511	433
Usage/claims	(518)	(480)
Balance at end of year	$ 331	$ 338

Advertising – The Company expenses advertising costs as incurred. Advertising costs consist of trade shows, magazine advertisements, and other forms of media. Advertising expenses for the years ended December 31, 2014 and 2013 totaled $768 and $472, respectively, and are included under the caption "Sales and Marketing".

Research and Product Development Costs – The Company expenses research and product development costs as incurred.

Income Taxes – The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. These temporary differences will result in deductible or taxable amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets may not be realized. The Company evaluates the realizability of its net deferred tax assets on a quarterly basis and valuation allowances are provided, as necessary. Adjustments to the valuation allowance increase or decrease the

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Company's income tax provision or benefit. As of December 31, 2014 and 2013, the Company had a valuation allowance of $786 and $378 against foreign net operating losses, and state research and development credits, respectively.

The Company follows the provisions contained in ASC Topic 740, *Income Taxes.* The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

Earnings Per Share – The following table sets forth the computation of basic and diluted earnings per common share:

	Year ended December 31,	
	2014	2013
Numerator:		
Net income	$ 5,596	$ 5,179
Denominator:		
Basic weighted average shares	9,166,769	9,064,340
Dilutive common stock equivalents using treasury stock method	414,557	391,178
Diluted weighted average shares	9,581,326	9,455,518
Basic earnings per common share:	$ 0.61	$ 0.57
Diluted earnings per common share:	$ 0.58	$ 0.55
Weighted average options outstanding	975,696	1,128,045
Anti-dilutive options not included in the computation	209,751	149,773

Share-Based Payment – We estimate the fair value of stock options using the Black-Scholes option pricing model, which requires certain estimates, including an expected forfeiture rate and expected term of options granted. We also make decisions regarding the method of calculating expected volatilities and the risk-free interest rate used in the option-pricing model. The resulting calculated fair value of stock options is recognized as compensation expense over the requisite service period, which is generally the vesting period. When there are changes to the assumptions used in the option-pricing model, including fluctuations in the market price of our common stock, there will be variations in the calculated fair value of our future stock option awards, which results in variation in the compensation cost recognized.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard becomes effective for the Company on January 1, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

2. Marketable Securities

The Company has classified its marketable securities as available-for-sale securities. These securities are carried at estimated fair value with unrealized holding gains and losses included in accumulated other comprehensive income/loss in shareholders'

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equity until realized. Gains and losses on marketable security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned.

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale securities by major security type and class of security at December 31, 2014 and 2013 were as follows:

(In thousands)	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
December 31, 2014				
Available-for-sale securities:				
Corporate bonds and notes	$ 19,804	$ 89	$ (55)	$ 19,838
Municipal bonds	6,292	28	(2)	6,318
Total available-for-sale securities	$ 26,096	$ 117	$ (57)	$ 26,156

(In thousands)	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
December 31, 2013				
Available-for-sale securities:				
Corporate bonds and notes	$ 18,832	$ 68	$ (43)	$ 18,857
Municipal bonds	6,658	22	(11)	6,669
Total available-for-sale securities	$ 25,490	$ 90	$ (54)	$ 25,526

Maturities of marketable securities classified as available-for-sale securities were as follows at December 31, 2014:

(In thousands)	Amortized cost	Estimated fair value
Due within one year	$ 6,998	$ 6,994
Due after one year through five years	18,733	18,796
Due after five years through ten years	365	366
Total available-for-sale securities	$ 26,096	$ 26,156

Debt securities in an unrealized loss position as of December 31, 2014 were not deemed impaired at acquisition and subsequent declines in fair value are not deemed attributed to declines in credit quality. Management believes that it is more likely than not that the securities will receive a full recovery of par value. The available-for-sale marketable securities in a gross unrealized loss position as of December 31, 2014 are summarized as follows:

(In thousands)	Less than 12 months		More than 12 months		Total	
	Estimated fair value	Gross unrealized holding losses	Estimated fair value	Gross unrealized holding losses	Estimated fair value	Gross unrealized holding losses
As of December 31, 2014						
Corporate bonds and notes	$ 1,601	$ (11)	$ 6,865	$ (44)	$ 8,466	$ (55)
Municipal bonds	—	—	1,168	(2)	1,168	(2)
	$ 1,601	$ (11)	$ 8,033	$ (46)	$ 9,634	$ (57)

3. Business Combinations, Goodwill and Intangibles

Acquisition of Sabine

On March 7, 2014, the Company completed the acquisition of Sabine, Inc. ("Sabine") through a stock purchase agreement ("SPA"). Sabine manufactures, designs and sells Sacom professional wireless microphone systems for live and installed audio. It also makes FBX Feedback Exterminator for reliable automatic feedback control. With the addition of Sabine, ClearOne will have reliable and exclusive access to the wireless microphones that are a critical component of ClearOne's complete microphone portfolio.

Pursuant to the SPA, the Company (i) paid initial consideration of $8,141 in cash, (ii) accrued for possible additional earn-out payments over the next two years, estimated to be $657, and (iii) issued 150,000 shares of restricted common stock of the Company, valued at $1,679 (determined on the basis of the closing market price of the Company's stock on the acquisition date). The purchase price was paid out of cash on hand. The SPA contains representations, warranties and indemnifications customary for a transaction of this type.

The following table summarizes the consideration paid for the acquisition:

	Consideration
Cash	$ 8,141
Common stock	1,679
Contingent consideration	657
Total	$ 10,477

(Dollars in thousands, except share and per share amounts)

The fair values of Sabine assets acquired and liabilities assumed are based on the information that was available during the measurement period of twelve months from the date of acquisition. The fair value of identified assets and liabilities acquired and goodwill is as follows:

	Fair value
Cash	$ 125
Accounts receivable	255
Inventories	844
Prepaid and other	105
Intangibles	3,970
Property and equipment	292
Other long-term assets	11
Goodwill	5,510
Deferred tax asset	245
Trade accounts payable	(420)
Accrued liabilities	(405)
Stock registration costs	(55)
Total	$ 10,477

The goodwill of $5,510 related to the acquisition of of Sabine is composed of expected synergies in utilizing Sabine technology in ClearOne product offerings, reduction in future combined research and development expenses, and intangible assets including acquired workforce that do not qualify for separate recognition. The goodwill balance of $5,510 related to the acquisition of Sabine is expected to be deductible for tax purposes.

Supplemental Pro Forma Information:

1) Revenue and net income from the Sabine business from March 8, 2014 to December 31, 2014 was $3,841 and $619 respectively.
2) Revenue and earnings of the combined entity as though the business combination occurred as of January 1, 2013 were as follows:

	2014	2013
Revenue	$ 58,178	$ 53,003
Earnings	5,356	5,020
Basic earnings per common share	$ 0.58	$ 0.55
Diluted earnings per common share	$ 0.56	$ 0.53

3) There were no material, nonrecurring pro forma adjustments directly attributable to the acquisition included in this Supplemental Pro Forma Information.

Spontania business of Spain-based Dialcom Networks, S.L.

On April 1, 2014 ClearOne, Inc. closed on the acquisition of the Spontania business of Spain-based Dialcom Networks, S.L. The Spontania cloud-based service empowers customers to deploy HD video conferencing, web collaboration, and more with equipment most businesses have and use every day - video-conferencing endpoints, desktops, laptops, web browsers, tablets, and smartphones. With Spontania there is no hardware investment and the service operates off of a reservation-less model, enabling on-demand video communications from virtually anywhere, anytime, with anyone on any device.

The aggregate purchase price under the terms of the transaction was approximately €3.66 million in cash (approximately US$5.1 million), after certain closing adjustments. ClearOne did not assume any debt or cash. The cash purchase price was paid out of cash on hand. The addition of this technology was an integral part of the company’s strategy to build an all-inclusive video collaboration portfolio.

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The fair value of identified assets and liabilities acquired from the Spontania acquisition was as follows:

	Fair value
Intangibles	$ 1,335
Property and equipment	47
Goodwill	3,741
Accrued liabilities	(71)
Total	$ 5,052

The goodwill of $3,741 relates to the acquisition of Spontania cloud-based technology and intangible assets including acquired workforce that does not qualify for separate recognition. The goodwill of $3,741 from the Spontania acquisition is expected to be deductible for tax purposes.

Supplemental Pro Forma Information:

1) Revenue and net loss from the Spontania business from April 1, 2014 to December 31, 2014 was $753 and $1,629 respectively.
2) Revenue and earnings of the combined entity as though the business combination occurred as of January 1, 2013 is not available. The Spontania business was part of a business unit of Dialcom Networks, S.L., and thus separate stand-alone financial information for Spontania is not available.

Acquisitions Expenses

The Company incurred $588 in total acquisition related expenses for the Sabine and Spontania acquisitions, all of which are categorized under General and administrative expenses in the Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2014.

Goodwill

Changes in the carrying amount of the Company's goodwill for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Balance as of January 1,		
Goodwill	$ 3,472	$ 3,472
Accumulated impairment losses	—	—
	3,472	3,472
Goodwill acquired during the year	9,252	—
Balance as of December 31,		
Goodwill	12,724	3,472
Accumulated impairment losses	—	—
	$ 12,724	$ 3,472

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Intangible Assets

Intangible assets as of December 31, 2014 and 2013 consisted of the following:

	Estimated useful lives	As of December 31, 2014	As of December 31, 2013
Tradename	5 to 7 years	$ 555	$ 435
Patents and technological know-how	10 years	5,850	2,070
Proprietary software	3 to 15 years	4,341	2,961
Other	3 to 5 years	324	208
		11,070	5,674
Accumulated amortization		(3,174)	(1,964)
Total intangible assets, net		$ 7,896	$ 3,710

During the years ended December 31, 2014 and 2013, amortization of these intangible assets were $1,210 and $547, respectively.

The estimated future amortization expense of intangible assets is as follows:

Years ending December 31,	
2015	$ 1,258
2016	1,120
2017	925
2018	851
2019	778
Thereafter	2,964
	$ 7,896

4. Inventories

Inventories, net of reserves, consisted of the following:

	As of December 31, 2014	As of December 31, 2013
Current:		
Raw materials	$ 3,056	$ 1,362
Finished goods (including distributor channel inventories)	11,408	10,916
	$ 14,464	$ 12,278
Long-term:		
Raw materials	$ 59	$ 227
Finished goods	817	324
	$ 876	$ 551

Long-term inventory represents inventory held in excess of our current (next 12 months) requirements based on our recent sales and forecasted level of sales. We have developed programs to reduce the inventory to normal operating levels in the near future. We expect to sell the above inventory, net of reserves, at or above the stated cost and believe that no loss will be incurred on its sale.

Current finished goods include distributor channel inventories in the amounts of approximately $1,698 and $1,520 as of December 31, 2014 and 2013, respectively. Distributor channel inventories represent inventory at distributors and other customers where revenue recognition criteria have not been achieved.

(Dollars in thousands, except share and per share amounts)

The losses incurred on valuation of inventory at the lower of cost or market value and write-off of obsolete inventory amounted to $946 and $996 during the years ended December 31, 2014 and 2013, respectively.

5. Property and Equipment

Major classifications of property and equipment and estimated useful lives were as follows:

	Estimated useful lives	As of December 31, 2014	As of December 31, 2013
Office furniture and equipment	3 to 10 years	$ 7,234	$ 6,676
Leasehold improvements	1 to 6 years	1,474	1,429
Manufacturing and test equipment	2 to 10 years	3,023	2,681
		11,731	10,786
Accumulated depreciation and amortization		(9,692)	(8,961)
Property and equipment, net		$ 2,039	$ 1,825

Depreciation expense on property and equipment for the years ended December 31, 2014 and 2013 was $761 and $780, respectively.

6. Leases and Deferred Rent

Rent expense is recognized on a straight-line basis over the period of the lease taking into account future rent escalation and holiday periods. Rent expense was $1,236 and $909, including amortization of deferred rent of $79 and $110, for the years ended December 31, 2014 and 2013, respectively.

We occupy a 31,000 square-foot facility in Salt Lake City, Utah under the terms of an operating lease expiring in May 2016 which supports our principal administrative, sales, marketing, customer support, and research and product development activities.

We occupy a 46,000 square-foot manufacturing facility in Alachua, Florida under the terms of an operation lease expiring in March 2016 with an option to extend the lease by two years. The Alachua facility is used primarily to manufacture our wireless microphone products and to support this line of business.

We occupy a 40,000 square-foot warehouse in Salt Lake City, Utah under the terms of an operating lease expiring in December 2017, which serves as our primary inventory fulfillment and repair center. This facility also serves as our assembly workshop for digital signage products.

We occupy a 7,070 square-foot facility in Austin, Texas under the terms of an operating lease expiring in October 2019 which serves as an additional facility to support our administrative, sales, marketing, customer support, and research and development activities. Our previous lease for a 11,100 square-foot facility in Austin, Texas under the terms of an operating lease expiring in August 2016 is still intact while we search for a sub-lease arrangement.

We occupied 5,600 square-feet of warehouse space in Hong Kong to support our partners and customers located in the Asia-Pacific region. This operating lease expired in February 2014 and has not been renewed.

We occupy a 4,700 square-foot office facility in Hod Hasharon, Israel under the terms of an operating lease expiring in December 2015 which serves to support our research and development activities. Upon expiration, we will have the option to extend the lease for two to four additional years. The prior 1,000 square-foot warehouse lease expired in August 2013 and was not renewed.

(Dollars in thousands, except share and per share amounts)

Future minimum lease payments under non-cancellable operating leases with initial terms of one year or more are as follows:

Years ending December 31,		
2015	$	1,205
2016		923
2017		813
2018		647
2019		235
Total minimum lease payments	$	3,823

7. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,			
	2014		2013	
Accrued salaries and other compensation	$	340	$	783
Dividends payable		914		—
Sales and marketing programs		642		301
Product warranty		331		338
Other accrued liabilities		467		339
Total	$	2,694	$	1,761

8. Commitments and Contingencies

We establish contingent liabilities when a particular contingency is both probable and estimable. The Company is not aware of any pending claims or assessments, other than as described below, which may have a material adverse impact on the Company's financial position or results of operations.

Outsource Manufacturers. We have manufacturing agreements with electronics manufacturing service ("EMS") providers related to the outsourced manufacturing of our products. Certain manufacturing agreements establish annual volume commitments. We are also obligated to repurchase Company-forecasted but unused materials. The Company has non-cancellable, non-returnable, and long-lead time commitments with its EMS providers and certain suppliers for inventory components that will be used in production. The Company's purchase commitments under such agreements is approximately $3,830 as of December 31, 2014.

Uncertain Tax Positions. As further discussed in Note 12, we had $1,678 of uncertain tax positions as of December 31, 2014. Due to the inherent uncertainty of the underlying tax positions, it is not possible to forecast the payment of this liability to any particular year.

Legal Proceedings. In addition to the legal proceedings described below, we are also involved from time to time in various claims and other legal proceedings which arise in the normal course of our business. Such matters are subject to many uncertainties and outcomes that are not predictable. However, based on the information available to us, we do not believe any such proceedings will have a material adverse effect on our business, results of operations, financial position, or liquidity, except as described below.

Former Officer Indemnification

In July 2007 and January 2008, the U.S. Attorney for the District of Utah indicted two of our former officers, Frances Flood ("Flood") and Susie Strohm ("Strohm"), for allegedly causing us to issue materially misstated financial statements for our 2001 and 2002 fiscal years and for perjury in connection with the investigation by the SEC into the alleged misstatements. In December 2003, we entered into indemnification agreements with each former officer, requiring payment of all reasonable attorneys’ fees and costs incurred in defending against the charges in certain circumstances consistent with and subject to limitations imposed by our bylaws and applicable law. In total, we paid approximately $3,630 in attorneys’ fees and costs to defend against the charges. In February 2009, Flood was convicted on nine counts and Strohm was convicted on one count. In June 2010, Flood was sentenced to four years in prison and three years of probation and Strohm was sentenced to two years of probation plus 150 hours of community service. In April 2011, the Tenth Circuit Court of Appeals in Denver affirmed Flood’s conviction, but has allowed her to assert in a collateral proceeding her claim that she received ineffective assistance of counsel. In November 2011, the Tenth Circuit affirmed Strohm’s perjury conviction as well.

Flood: In August 2008, Flood filed a lawsuit in Federal District Court for the District of Utah, seeking to compel us to pay her attorneys’ fees and costs to defend against the criminal charges. The District Court issued a preliminary injunction in January 2009 requiring us to pay Flood’s criminal legal fees and costs through trial. Pursuant to the Court’s order, ClearOne paid approximately $373 to Flood’s attorneys and approximately $248 into the Court’s escrow. In July 2009, ClearOne asserted counterclaims against Flood and sought to recover $3,390 plus interest, costs and attorneys' fees.

The Tenth Circuit Court of Appeals issued a ruling in August 2010 vacating the District Court’s preliminary injunction on the grounds that it rested on a legally erroneous interpretation of Flood’s Employment Separation Agreement. ClearOne filed a motion in the United States District Court for the District of Utah seeking a return of the monies paid by ClearOne pursuant to the Court’s order. The District Court granted ClearOne’s motion in January 2012 for return of the $248 held in the Court’s escrow, but denied ClearOne’s motion with respect to the $373 paid to Flood’s attorneys.

On or about March 1, 2013, Flood filed for personal bankruptcy in the U.S. Bankruptcy Court for the Eastern District of Virginia. On March 19, 2013, the US District Court for the District of Utah issued an order staying this case. On June 2, 2014, on the parties’ cross-motions for summary judgment, the bankruptcy judge ruled that Flood’s debt to ClearOne for the criminal defense fees advanced on her behalf is dischargeable in bankruptcy. On August 5, 2014, ClearOne and Flood entered into a settlement agreement whereby ClearOne released Flood from any claims in exchange for Flood’s release of ClearOne.

Theft of Intellectual Property and Related Cases

In January 2007, we filed a lawsuit in the Third Judicial District Court, Salt Lake County, Utah against WideBand Solutions, Inc. (“WideBand”) and two of its principals, Dr. Jun Yang, and Andrew Chiang for misappropriation of our trade secrets (the “Trade Secret Case”). We also brought claims against Biamp Systems Corporation, Inc. (“Biamp”). The litigation eventually included other defendants, namely Lonny Bowers, Donald Bowers, David Sullivan, Dial HD and Versatile DSP. The matter was subsequently removed to federal court. The United States District Court, District of Utah, Central Division.

The litigation involved various appeals filed by all parties extended to various state courts, federal courts and the federal appeal court. The court found the defendants guilty of willfully and maliciously misappropriating our trade secrets. Various awards were made in ClearOne's favor and against the defendants. Biamp settled with us and paid $3,860 after we won the appeal in the Tenth Circuit court. We also settled with one of the defendants and received $250 in February 2012. We have various awards against other defendants amounting to approximately $7,658 owed jointly and severally by them. While we intend to vigorously pursue collection of these outstanding awards, there can be no assurance that we will ultimately collect on all or a portion of these awards.

Conclusion

These legal proceedings are subject to all of the risks and uncertainties of legal proceedings and there can be no assurance as to the probable result of the legal proceedings.

The Company believes it is adequately accrued for the aforementioned contingent liabilities. While we intend to defend ourselves in the above matters vigorously and diligently, there exists the possibility of adverse outcomes that we estimate could be up to $1,000 over and above amounts already provided for. If these adverse outcomes were to occur, our financial position, results of operations and cash flows could be negatively affected materially for the period in which the adverse outcomes are known.

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9. Share-Based Payments

The Company’s share-based compensation primarily consists of two share-based compensation plans, one which was replaced on November 20, 2007, and one which became active on the same date. The plans are described below.

The Company’s 1998 Incentive Plan (the “1998 Plan”) had shares of common stock available for issuance to employees and directors. Through December 1999, 1,066,000 options were granted that would cliff vest after 9.8 years; however, such vesting was accelerated for 637,089 of these options upon meeting certain earnings per share goals through the fiscal year ended June 30, 2003. Subsequent to December 1999 and through June 2002, 1,248,250 options were granted that would cliff vest after 6.0 years; however, such vesting was accelerated for 300,494 of these options upon meeting certain earnings per share goals through the fiscal year ended June 30, 2005.

The Company also has a 2007 Equity Incentive Plan (the “2007 Plan”). Provisions of the 2007 Plan include the granting of up to 2,000,000 incentive and non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units. Options may be granted to employees, officers, non-employee directors and other service providers and may be granted upon such terms as the Compensation Committee of the Board of Directors determines in their sole discretion. Under both plans, one new share is issued for each stock option exercised.

Of the options granted subsequent to June 2002, all vesting schedules are based on 3 or 4-year vesting schedules, with either one-third or one-fourth vesting on the first anniversary and the remaining options vesting ratably over the remainder of the vesting term. Generally, directors and officers have 3-year vesting schedules and all other employees have 4-year vesting schedules. Additionally, in the event of a change in control or the occurrence of a corporate transaction, the Company’s Board of Directors has the authority to elect that all unvested options shall vest and become exercisable immediately prior to the event or closing of the transaction. All options outstanding as of December 31, 2014 had contractual lives of ten years. Under the 1998 Plan, 2,500,000 shares were authorized for grant. As of December 31, 2014, there were 346,000 options outstanding under the 1998 Plan, which includes the cliff vesting and 3 or 4-year vesting options discussed above. As of December 31, 2014, there were 694,081 options outstanding under the 2007 Plan. As of December 31, 2014, the 2007 Plan had 95,915 authorized unissued options, while there were no options remaining that could be granted under the 1998 Plan.

During 2014, the Company also had an Employee Stock Purchase Plan (“ESPP”) wherein employees could purchase common stock through payroll deductions of up to 10 percent of their base pay. Amounts deducted and accumulated by the employees were used to purchase shares of common stock on or about the first day of each month. The Company contributed to the account of the employee one share of common stock for every nine shares purchased by the employee under the ESPP. The details of the company's ESPP were modified for future periods.

The Company uses judgment in determining the fair value of the share-based payments on the date of grant using an option-pricing model with assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the risk-free interest rate of the awards, the expected life of the awards, the expected volatility over the term of the awards, and the expected dividends of the awards. The Company uses the Black-Scholes option pricing model to determine the fair value of share-based payments granted under the guidelines of ASC Topic 718.

In applying the Black-Scholes methodology to the options granted, the Company used the following assumptions:

	Year ended December 31,	
	2014	2013
Risk-free interest rate, average	2.2%	1.8%
Expected option life, average	8.2 years	6.8 years
Expected price volatility, average	47.6%	49.8%
Expected dividend yield	—%	—%

The risk-free interest rate is determined using the U.S. Treasury rate in effect as of the date of the grant, based on the expected life of the stock option. The expected life of the stock option is determined using historical data.

(Dollars in thousands, except share and per share amounts)

The expected price volatility is determined using a weighted average of daily historical volatility of the Company’s stock price over the corresponding expected option life.

Under guidelines of ASC Topic 718, the Company recognizes compensation cost net of an expected forfeiture rate and recognized the associated compensation cost for only those awards expected to vest on a straight-line basis over the underlying requisite service period. The Company estimated the forfeiture rates based on its historical experience and expectations about future forfeitures.

The following table shows the stock option activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
As of December 31, 2013	1,111,274	$ 5.15		
Granted	193,500	8.83		
Expired and canceled	(29,532)	6.87		
Forfeited prior to vesting	(729)	8.88		
Exercised	(234,432)	5.72		
As of December 31, 2014	1,040,081	$ 5.65	5.60	$ 4,286
Vested and Expected to Vest at December 31, 2014	1,040,081	$ 5.65	5.60	$ 4,286
Vested at December 31, 2014	730,016	$ 4.67	4.15	$ 3,721

The weighted average per share fair value of options granted during the years ending December 31, 2014 and 2013 was $4.85 and $4.38 respectively. The total intrinsic value of options exercised during the years ended December 31, 2014 and 2013 was $1,337 and $489, respectively.

The total pre-tax compensation cost related to stock options recognized during the years ended December 31, 2014 and 2013 was $401 and $296, respectively. Tax benefit from compensation cost related to stock options during the years ended December 31, 2014 and 2013 was $211 and $96, respectively. As of December 31, 2014, the total compensation cost related to stock options not yet recognized and before the effect of any forfeitures was $1,230, which is expected to be recognized over approximately the next 2.7 years on a straight-line basis.

Stock Repurchase Program and Cash Dividends

In May 2012, our Board of Directors authorized a stock repurchase program to purchase the Company's common stock in the open market. A total of 272,767 and 300,087 shares costing $2,598 and $2,416 were purchased under this program during the years ended December 31, 2014 and 2013. The cost of shares purchased is recorded as a reduction to shareholders' equity. On December 2, 2014, the Company announced the discontinuance of the stock repurchase program along with the initiation of a cash dividend plan. The first of such dividends was of $0.10 per share of ClearOne common stock, payable on January 5, 2015, to stockholders of record on December 12, 2014.

10. Significant Customers

Sales to significant customers that represented more than 10 percent of total revenues are as follows:

	Year ended December 31,	
	2014	2013
Customer A	16.0%	18.2%
Customer B	—% *	10.8%
Total	16.0%	29.0%

* Sales didn't exceed 10% of the revenue.

The following table summarizes the percentage of total gross accounts receivable from significant customers:

	As of December 31, 2014	As of December 31, 2013
Customer A	21.0%	24.9%
Customer B	10.0%	12.4%
Total	31.0%	37.3%

These customers facilitate product sales to a large number of end-users, none of which is known to account for more than 10 percent of the Company’s revenue from product sales. Nevertheless, the loss of one or more of these customers could reduce revenue and have a material adverse effect on the Company’s business and results of operations.

11. Fair Value Measurements

The fair value of the Company's financial instruments reflects the amounts that the Company estimates it will receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes U.S. Government and agency securities; municipal securities; mutual funds and securities sold and not yet settled.

Level 3 - Unobservable inputs.

The substantial majority of the Company’s financial instruments are valued using quoted prices in active markets or based on other observable inputs. The following tables set forth the fair value of the financial instruments re-measured by the Company as of December 31, 2014 and 2013:

(In thousands)	Level 1	Level 2	Level 3	Total
December 31, 2014				
Corporate bonds and notes	$ —	$ 19,838	$ —	$ 19,838
Municipal bonds	—	6,318	—	6,318
Total	$ —	$ 26,156	$ —	$ 26,156

(In thousands)	Level 1	Level 2	Level 3	Total
December 31, 2013				
Corporate bonds and notes	$ —	$ 18,857	$ —	$ 18,857
Municipal bonds	—	6,669	—	6,669
Total	$ —	$ 25,526	$ —	$ 25,526

(Dollars in thousands, except share and per share amounts)

12. Income Taxes

Consolidated income before taxes for domestic and foreign operations consisted of the following:

	Year ended December 31,	
	2014	2013
Domestic	$ 9,615	$ 8,714
Foreign	(1,386)	(945)
Total	$ 8,229	$ 7,769

The Company's (provision) for income taxes consisted of the following:

	Year ended December 31,	
	2014	2013
Current:		
Federal	$ (2,750)	$ (1,993)
State	(173)	(765)
Foreign	(109)	144
Total current	(3,032)	(2,614)
Deferred:		
Federal	379	202
State	27	(234)
Foreign	401	165
	807	133
Change in valuation allowance	(408)	(109)
Total deferred	399	24
(Provision) for income taxes	$ (2,633)	$ (2,590)

The income tax (provision) differs from that computed at the federal statutory corporate income tax rate as follows:

	Year ended December 31,	
	2014	2013
Tax (provision) at Federal statutory rate	$ (2,798)	$ (2,642)
State income tax (provision), net of federal benefit	(257)	(293)
Research and development tax credits	549	616
Foreign earnings or losses taxed at different rates	(102)	(170)
Other	383	8
Change in valuation allowance	(408)	(109)
Tax (provision)	$ (2,633)	$ (2,590)

(Dollars in thousands, except share and per share amounts)

The tax effects of significant temporary differences representing net deferred tax assets and liabilities consisted of the following:

	As of December 31, 2014		As of December 31, 2013	
	Current	Long-term	Current	Long-term
Deferred revenue	$ 1,120	$ —	$ 971	$ —
Basis difference in intangible assets	—	42	—	82
Inventory reserve	2,213	—	1,955	—
Net operating loss carryforwards	—	957	—	682
Research and development tax credits	—	60	—	31
Accrued expenses	117	175	159	—
Stock-based compensation	—	577	—	679
Allowance for sales returns and doubtful accounts	22	—	47	—
Difference in property and equipment basis	—	(318)	—	(388)
Other	908	2	458	51
Total net deferred income tax asset	4,380	1,495	3,590	1,137
Less: Valuation allowance	(556)	(230)	(265)	(113)
Net deferred income tax asset (liability)	$ 3,824	$ 1,265	$ 3,325	$ 1,024

The Company has not provided for U.S. deferred income taxes or foreign withholding taxes on undistributed earnings of its non-U.S. subsidiaries since these earnings are intended to be reinvested indefinitely, in accordance with guidelines contained in ASC Topic 740, *Accounting for Income Taxes*. It is not practical to estimate the amount of additional taxes that might be payable on such undistributed earnings.

In accordance with ASC Topic 740, the Company analyzed its valuation allowance at December 31, 2014 and determined that, based upon available evidence, it is more likely than not that certain of its deferred tax assets may not be realized and, as such, has established a valuation allowance against certain deferred tax assets. These deferred tax assets include state research and development credits, and foreign net operating loss carryforwards.

As of December 31, 2014, the Company had state research credit carryforwards of $60, which will begin to expire in 2027 if not utilized. The Company has federal net operating loss (“NOL”) carryforwards of approximately $881 (pre-tax), Hong Kong NOL carryforwards of approximately $1,223, and Spain NOL carryforwards of approximately $1,820. The federal NOL carryforwards will begin to expire in 2029. The Hong Kong and Spain NOL carryforwards do not expire.

Effective July 1, 2007, the Company adopted the accounting standards related to uncertain tax positions. This standard requires that tax positions be assessed using a two-step process. A tax position is recognized if it meets a "more likely than not" threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts.

The total amount of unrecognized tax benefits at December 31, 2014 and 2013, that would favorably impact our effective tax rate if recognized was $723 and $623, respectively. As of December 31, 2014 and 2013, we accrued $40 and $51, respectively, in interest and penalties related to unrecognized tax benefits. We account for interest expense and penalties for unrecognized tax benefits as part of our income tax provision.

Although we believe our estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our historical income tax provisions and accruals. Such difference could have a material impact on our income tax provision and operating results in the period in which we make such determination.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax positions is as follows:

(Dollars in thousands, except share and per share amounts)

	Year ended December 31,	
	2014	2013
Balance - beginning of year	$ 1,901	$ 2,384
Additions based on tax positions related to the current year	564	84
Additions for tax positions of prior years	—	45
Reductions for tax positions of prior years	(468)	(518)
Settlements	(40)	—
Lapse in statutes of limitations	(279)	(94)
Uncertain tax positions, ending balance	$ 1,678	$ 1,901

The Company’s U.S. federal income tax returns for 2011 through 2014 are subject to examination. The Company also files in various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state, or non-U.S. income tax examinations by tax authorities for years prior to 2011. The Company completed its audit by the Internal Revenue Service (“IRS”) for its 2006 tax return in 2010. As a result of the audit by the IRS, there were no material adjustments made to the Company’s tax return. The IRS commenced an examination of the Company's 2012 tax return. We do not anticipate the examination will result in a material change to its financial position.

The Inland Revenue Department of Hong Kong, a Special Administrative Region (the “IRD”), commenced an examination of the Company's Hong Kong profits tax returns for 2009 through 2011 in the fourth quarter of 2012 that is anticipated to be completed in 2016. The Company does not anticipate the examination will result in a material change to its financial position. During the next twelve months, it is reasonably possible that the amount of the Company's unrecognized income tax benefits could change significantly. These changes could be the result of our ongoing tax audits or the settlement of outstanding audit issues. However, due to the issues being examined, at the current time, an estimate of the range of reasonably possible outcomes cannot be made, beyond amounts currently accrued.

13. Geographic Sales Information

The United States was the only country to contribute more than 10 percent of total revenues in each fiscal year. The Company’s revenues are substantially denominated in U.S. dollars and are summarized geographically as follows:

	Year ended December 31,	
	2014	2013
United States	$ 39,598	$ 32,292
All other countries	18,311	17,300
Total	$ 57,909	$ 49,592

14. Subsequent Events

On April 28, 2015, the Company announced a quarterly cash dividend of $0.035 per share to be paid on May 15, 2015 to shareholders of record as of May 4, 2015.

On July 16, 2015, the Company announced a quarterly cash dividend of $0.035 per share to be paid on August 10, 2015 to shareholders of record as of July 27, 2015.

On October 8, 2015, the Company received notice from its former auditor, RSM US LLP (RSM) (formerly McGladrey LLP), that RSM resigned effective October 8, 2015. A full description the disclosures surrounding the resignation can be found in the related Form 8-K filed on October 14, 2015.

On October 13, 2015, the Company engaged Tanner LLC (Tanner) to serve as its new independent registered public accounting firm for (a) the audit for the fiscal year ending December 31, 2015; (b) interim reviews for the periods ending September 30, 2015, March 31, 2016, June 30, 2016 and September 30, 2016; and (c) for the (i) re-audit and report of Independent Registered Public Accounting Firm relating to the Company's consolidated financial statements for the year ended December 31, 2014; and

(ii) the re-review of the Company's financial statements for the interim periods ended March 31, 2015 and June 30, 2015. A full description the disclosures surrounding the appointment can be found in the related Form 8-K filed on October 14, 2015.

On November 12, 2015, the Company announced a quarterly cash dividend of $0.05 per share to be paid on December 21, 2015 to shareholders of record as of December 4, 2015.

On November 24, 2015, the Company received a letter from NASDAQ Stock Market stating that the Company no longer complies with NASDAQ Listing Rule 5250(c)(1) as a result of its former auditor RSM’s resignation and withdrawal of its audit report on the Company’s financial statements for the year ended December 31, 2014 solely as a result of its determination that it was not independent of the Company for such period and subsequent interim periods and the Company’s delay in filing its Form 10-Q for the period ended September 30, 2015. A full description the disclosures surrounding the receipt of the letter can be found in the related Form 8-K filed on December 1, 2015.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Nos. 333-205356, 333-148789 and 333-137859) on Form S-8 and Registration Statement (No. 333-195591) on Form S-3 of ClearOne, Inc. of our report dated January 13, 2016, relating to our audit of the December 31, 2014 consolidated financial statements, which appears in this Annual Report on Form 10-K/A of ClearOne, Inc.

/s/ *Tanner LLC*

Salt Lake City, Utah
January 13, 2016

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Nos. 333-205356, 333-148789 and 333-137859) on Form S-8 and Registration Statement (No. 333-195591) on Form S-3 of ClearOne, Inc. of our report dated March 19, 2014, relating to our audit of the consolidated financial statements for the year ended December 31, 2013, which appears in this Annual Report on Form 10-K/A of ClearOne, Inc.

/s/ *RSM US LLP*

Irvine, California
January 12, 2016

EXHIBIT 31.1

CERTIFICATION

I, Zeynep Hakimoglu, certify that:

1. I have reviewed this annual report of ClearOne, Inc. on Form 10-K;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 13, 2016

By: /s/ Zeynep Hakimoglu

Zeynep Hakimoglu
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Narsi Narayanan, certify that:

1. I have reviewed this annual report of ClearOne, Inc. on Form 10-K;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 13, 2016

By: /s/ Narsi Narayanan

Narsi Narayanan
Senior Vice President of Finance

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350,
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Zeynep Hakimoglu, certify, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of ClearOne, Inc. on Form 10-K for the year ended December 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such annual report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of ClearOne, Inc.

January 13, 2016	By:	/s/ Zeynep Hakimoglu
		Zeynep Hakimoglu Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350,
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Narsi Narayanan, certify, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of ClearOne Inc. on Form 10-K for the year ended December 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such annual report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of ClearOne, Inc.

January 13, 2016	By:	/s/ Narsi Narayanan
		Narsi Narayanan Vice President of Finance