

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

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 28, 2006

ClearOne Communications, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Utah
(State or Other Jurisdiction of Incorporation)

<u>000-17219</u>	<u>87-0398877</u>
(Commission File Number)	(I.R.S. employer identification number)

<u>1825 Research Way, Salt Lake City, Utah</u>	<u>84119</u>
(Address of principal executive offices)	(Zip Code)

(801) 975-7200
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 28, 2006, ClearOne Communications, Inc. (the “Company”) issued a press release announcing its financial results for the fourth quarter and fiscal year ended June 30, 2006. The full text of the Company’s press release is furnished herewith as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Title of Document	Location
99.1	Press Release dated August 28, 2006 captioned “ClearOne Reports Fiscal 2006 Fourth Quarter and Full-Year Financial Results.”	This Filing

SIGNATURES

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

CLEARONE COMMUNICATIONS, INC.

Date: August 28, 2006

By: /s/ Craig E. Peeples
Craig E. Peeples
Interim Chief Financial Officer / Corporate Controller

(801) 303-3555

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Robert Jaffe

#160;
Inc.

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PondelWilkinson

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&

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CLEARONE REPORTS FISCAL 2006 FOURTH QUARTER AND FULL-YEAR
FINANCIAL RESULTS

Salt Lake City, UT - August 28, 2006 - ClearOne Communications, Inc. (OTC: CLRO.OB) today reported financial results for the fiscal 2006 fourth quarter and year ended June 30, 2006.

For fiscal 2006, revenue increased to \$37.6 million from \$31.6 million in fiscal 2005. Gross profit grew to \$18.3 million from \$16.7 million for the prior year period. Income from continuing operations was \$166,000 versus \$2.2 million for fiscal 2005. Net income in fiscal 2006 was \$2.1 million, or \$0.17 per diluted share, which included income from discontinued operations of \$1.9 million. This compares with net income for the prior year of \$16.1 million, or \$1.30 per diluted share, which included income from discontinued operations of \$13.9 million.

“During the past year we launched a number of new products, expanded our distribution channel and increased market share in the table top and professional conferencing space,” said Zee Hakimoglu, president and chief executive officer of ClearOne. “Together, these efforts helped fuel our top line growth of nearly 20 percent over the prior year. While our newer product lines generally have a lower gross margin than our professionally installed line of products, we believe they add attractive growth opportunities, allowing us to enter and further penetrate new segments of the audio conferencing market, and diversify our product portfolio.”

For the fiscal 2006 fourth quarter, revenue increased to \$9.7 million from \$9.1 million in the fiscal 2005 fourth quarter. Gross profit was \$4.7 million compared with \$5.1 million for the fourth quarter of fiscal 2005. Total operating expenses were \$5.7 million compared with \$6.2 million in the same quarter of the prior year. Loss from continuing operations was (\$764,000) versus income from continuing operations of \$2.2 million in the fiscal 2005 fourth quarter. Net loss was (\$512,000), or (\$0.04) per diluted share, which included income from discontinued operations of \$252,000. This compares with net income for the prior year fourth quarter of \$2.3 million, or \$0.19 per diluted share, which included income from discontinued operations of \$116,000.

At June 30, 2006, the company had cash, cash equivalents, and marketable securities of \$21.8 million and no long-term debt.

About ClearOne

ClearOne is a communications solutions company that develops and sells audio conferencing systems and other related products for audio, video, and web conferencing applications. The reliability, flexibility, and performance of ClearOne's comprehensive solutions create a natural communications environment, which saves organizations time and money by enabling more effective and efficient communication. For more information, visit ClearOne's website at www.clearone.com.

This release contains "forward-looking" statements that are based on present circumstances and on ClearOne's predictions with respect to events that have not occurred, that may not occur, or that may occur with different consequences and timing than those now assumed or anticipated. Such forward-looking statements, including statements regarding the company's ability to successfully commercialize newer products and enter new markets, are not guarantees of future performance or results and involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements. Such forward-looking statements are made only as of the date of this release and ClearOne assumes no obligation to update forward-looking statements to reflect subsequent events or circumstances. Readers should not place undue reliance on these forward-looking statements.

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FINANCIAL TABLES FOLLOW

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars, except per share amount)
(unaudited)

	Three Months Ended		Years Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenue	\$ 9,730	\$ 9,103	\$ 37,632	\$ 31,645
Cost of goods sold	5,071	4,026	19,284	14,951
Gross profit	4,659	5,077	18,348	16,694
Operating expenses:				
Marketing and selling	2,324	2,492	7,866	9,070
Research and product development	2,521	1,495	8,299	5,305
General and administrative	820	1,379	5,108	5,489
Settlement in shareholders' class action	-	563	(1,205)	(2,046)
Other operating expenses	-	290	-	290
Total operating expenses	5,665	6,219	20,068	18,108
Operating loss	(1,006)	(1,142)	(1,720)	(1,414)
Other income (expense), net	422	125	1,016	318
Loss from continuing operations before income taxes	(584)	(1,017)	(704)	(1,096)
Benefit for income taxes	(180)	3,219	870	3,248
Income (loss) from continuing operations	(764)	2,202	166	2,152
Income from discontinued operations	252	116	1,930	13,923
Net income (loss)	<u>\$ (512)</u>	<u>\$ 2,318</u>	<u>\$ 2,096</u>	<u>\$ 16,075</u>
Diluted earnings (loss) per common share from continuing operations	\$ (0.06)	\$ 0.18	\$ 0.01	\$ 0.17
Diluted earnings per common share from discontinued operations	\$ 0.02	\$ 0.01	\$ 0.16	\$ 1.13
Diluted earnings (loss) per common share	\$ (0.04)	\$ 0.19	\$ 0.17	\$ 1.30
Diluted weighted average shares outstanding	12,209,749	12,273,062	12,206,618	12,332,106

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of dollars, except per share amount)
(unaudited)

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,240	\$ 1,892
Marketable securities	20,550	15,800
Accounts receivable	7,784	6,859
Inventories	7,025	5,806
Income tax receivable	2,607	3,952
Other current assets	383	570
Total current assets	39,589	34,879
Property and equipment, net	1,647	2,805
Intangibles, net	154	322
Other assets	15	15
Total assets	<u>\$ 41,405</u>	<u>\$ 38,021</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,597	\$ 2,163
Accrued liabilities	2,397	5,622
Deferred product revenue	5,871	5,055
Total current liabilities	10,865	12,840
Deferred income taxes, net	128	270
Total liabilities	10,993	13,110
Shareholders' equity:		
Total shareholders' equity	30,412	24,911
Total liabilities and shareholders' equity	<u>\$ 41,405</u>	<u>\$ 38,021</u>