CLEARONE COMMUNICATIONS INC
Form S-4/A
April 08, 2002

As filed with the Securities and Exchange Commission on April 5, 2002 — Registration No. 333-82242

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Utah	3663	87-0398877
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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

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

Robert Ribeiro, Esq. Julius Davidson, Esq. Fredrikson & Byron, P.A. 1100 International Centre 900 Second Avenue South Minneapolis, MN 55402 (612) 347-7000	Robinson Alston, Esq. Rakesh J. Govindji, Esq. Jones, Waldo, Holbrook & McDonough, P.C. 1500 Wells Fargo Plaza 170 South Main Street Salt Lake City, Utah 84101 (801) 521-3200

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

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

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

registration statement for the same offering. |_|

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

CALCULATION OF REGISTRATION FEE

Title of Securities to Be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price(2)	Am Regis
Common Stock, par value $0.001 per share	873,000	$3.13	$13,161,686	$1

(1) Represents the maximum number of shares of common stock, $0.001 par value per share, of the Registrant issuable in connection with the merger contemplated by the merger agreement.

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

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

E.MERGENT, INC.

MERGER PROPOSAL - YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

The board of directors of E.mergent, Inc. has approved a merger in which E.mergent will be purchased by ClearOne Communications, Inc. As a result of the proposed merger, you will become a shareholder of ClearOne. The E.mergent board believes that the complementary product lines and businesses of ClearOne and

E.mergent create an overall strategic fit. It also believes that the merger will create synergies and efficiencies that will accelerate product development and technological innovation.

I cordially invite you to attend our special meeting of shareholders to vote on a proposal to approve the merger and the merger agreement. We cannot complete the merger unless the holders of a majority of the outstanding shares of E.mergent common stock approve it. The date, time, and place of the special meeting are _____, 2002, 10:00 a.m., local time, Acoustic Communications Systems Division, 13705 26th Avenue North, Suite 110, Minneapolis, MN 55441.

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

If the merger is completed, ClearOne will issue, or reserve for issuance upon the exercise of assumed E.mergent stock options, a total of 873,000 shares of ClearOne common stock and pay a total of $7,300,000 in cash in exchange for all of E.mergent's outstanding common stock shares and stock options. Assuming that E.mergent does not issue any additional shares prior to the merger, for each share of E.mergent common stock you hold, you will receive in the merger between $1.17 to $1.23 in cash and up to 0.1401 of a share of ClearOne common stock. The exact amount of cash and stock that you will receive for each E.mergent share depends on the number of E.mergent shares outstanding immediately prior to the completion of the merger, the exercise of E.mergent stock options prior to the merger and other factors. The common stock of ClearOne (which was formerly known as Gentner Communications Corporation) is traded on the Nasdaq National Market System under the symbol "CLRO." On April 4, 2002, the closing price of ClearOne common stock was $16.36 per share.

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

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

Sincerely,

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

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE MERGER OR THE SHARES OF CLEARONE'S COMMON STOCK TO BE ISSUED IN THE MERGER, OR DETERMINED IF THIS DOCUMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This document is dated _____, 2002 and was first mailed to E.mergent stockholders on or about _____, 2002.

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2002

To the Stockholders of E.mergent, Inc.:

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

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger dated as of January 21, 2002, among ClearOne Communications, Inc., a Utah corporation, Tundra Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of ClearOne, and E.mergent, Inc., a Delaware corporation, and the related merger, pursuant to which E.mergent will become a wholly-owned subsidiary of ClearOne and holders of E.mergent common stock will receive a combination of cash and shares of ClearOne common stock based upon the conversion ratio described in the accompanying proxy statement/prospectus.

2. To transact such other business as may properly come before the special meeting or any adjournment or postponement, including a proposal to adjourn or postpone the special meeting.

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

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

Your vote is important. Even if you expect to attend the meeting, please complete, sign, and date the enclosed proxy and return it promptly in the enclosed postage-paid envelope. If no instructions are indicated on your proxy, your shares will be voted "FOR" the merger. Alternatively, you may vote your proxy via phone or the Internet. You may vote your proxy by phone twenty-four

(24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by dialing 800-240-6326 and following the instructions. You may vote your proxy via the Internet twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, one business day prior to the meeting by going to http://www.eproxy.com/emrt and following the instructions.

If you do not return your proxy, vote your proxy by phone or Internet, or vote in person, the effect is a vote against the merger. You can revoke your proxy at any time before it is exercised by voting again by phone or Internet, giving written notice to the Secretary of E.mergent, filing another proxy, or attending the special meeting and voting in person.

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

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

BY ORDER OF THE BOARD OF DIRECTORS
Jill Larson, Secretary

_____, __, 2002

ADDITIONAL INFORMATION

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

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

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

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

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

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

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

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

ClearOne Current Report on Form 8-K filed February 5, 2002; and

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

Also, this document will incorporate by reference information about ClearOne from other documents that may be filed with the Securities and Exchange

Commission after the date of this document and prior to E.mergent's special shareholder meeting. See the section entitled "Where You Can Find More Information" beginning on page 70 of this document for information about how to obtain copies of such documents and additional information about ClearOne and E.mergent.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions that you, as a stockholder of E.mergent, may have and answers to those questions. These questions and answers may not

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

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

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

Q: Why are ClearOne and E.mergent proposing to merge? (see pages 33 and 39)

A: ClearOne and E.mergent are proposing to merge because they believe, for a variety of reasons, that each company will benefit from the combination of the two companies and the merger will result in a combined company that is better positioned to succeed in the audio and video conferencing markets than they would be separately. A complete discussion of the companies' respective reasons for proposing the merger is contained under the captions "E.mergent's Reasons for the Merger" beginning on page 33 and "Consideration of the Merger by ClearOne's Board of Directors and Reasons for the Merger" beginning on page 39.

Q: What will I receive in the merger? (see page 46)

A: If the merger is completed, for each of your shares of E.mergent common stock you will receive a payment of cash between approximately $1.17 and $1.23 and up to 0.1401 of a share of ClearOne common stock. The exact amount to be paid per E.mergent share depends on a number of factors, including the average closing price of ClearOne common stock and the number of E.mergent stock options outstanding, both of which are determined immediately prior to the merger. As a result, we cannot tell you at this time the exact amount of cash and stock that you will receive for your E.mergent common stock. The chart below, however, gives examples of the approximate amount of cash and stock that you would receive based on a range of closing prices for ClearOne common stock and assumptions about options outstanding at the time of merger.

E.mergent Stock Options Exercised (Cashless Exercise)

ClearOne Average Market Price	None			50%			100%	
	Cash	ClearOne Shares	Combined Value	Cash	ClearOne Shares	Combined Value	Cash	ClearOne Shares
$12.00	$1.231	0.1240	$2.719	$1.198	0.1318	$2.780	$1.168	0.1396
$13.00	$1.231	0.1248	$2.853	$1.198	0.1322	$2.916	$1.168	0.1396
$14.00	$1.231	0.1254	$2.986	$1.198	0.1325	$3.053	$1.168	0.1396
$15.00	$1.231	0.1259	$3.120	$1.198	0.1328	$3.189	$1.168	0.1396
$16.00	$1.231	0.1264	$3.253	$1.198	0.1330	$3.326	$1.168	0.1396
$17.00	$1.231	0.1268	$3.387	$1.198	0.1332	$3.462	$1.168	0.1396
$18.00	$1.231	0.1272	$3.520	$1.198	0.1334	$3.599	$1.168	0.1396
$19.00	$1.231	0.1275	$3.654	$1.198	0.1335	$3.735	$1.168	0.1396
$20.00	$1.231	0.1278	$3.787	$1.198	0.1337	$3.872	$1.168	0.1396
$21.00	$1.231	0.1281	$3.921	$1.198	0.1338	$4.008	$1.168	0.1396
$22.00	$1.231	0.1284	$4.055	$1.198	0.1339	$4.145	$1.168	0.1396
$23.00	$1.231	0.1286	$4.188	$1.198	0.1341	$4.282	$1.168	0.1396

See page 47 for a description of the assumptions underlying this table. Please note that the above table contains examples based on such assumptions. The actual amounts you will receive in the merger may differ from such examples. For a discussion of the actual calculation of the amounts to be exchanged in the merger, please see the discussion entitled "Conversion of E.mergent Common Stock" beginning on page 46.

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

Q: What will happen if ClearOne's common stock trading price changes prior to the merger?

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

Q: How will the merger affect options to acquire E.mergent common stock? (see page 48)

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

Q: Will E.mergent stockholders be able to trade the ClearOne common stock that they receive in the merger? (see page 40)

A: Generally, yes. The ClearOne common stock is listed on the Nasdaq National Market under the symbol "CLRO." Persons who are deemed to be an affiliate of E.mergent or ClearOne prior to the completion of the merger, however, must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer the shares of ClearOne common stock they receive in the merger, which may limit the number of shares they can sell in any three-month period.

Q: What approvals are needed for the merger? (see page 28)

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

Q: When and where is the special shareholders meeting?

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

Q: When do you expect the merger to be completed?

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

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

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

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

A: No. Your broker will not be able to vote your shares without instructions from you. If you hold your shares in street name, you should receive with this proxy statement/prospectus a form for instructing you how to vote your shares through your broker. If you do not provide your broker with voting instructions, your shares may be considered present at the special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of adoption and approval of the merger agreement or approval of the merger and, therefore, such action will have the effect of a vote against the merger agreement and the merger. If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions. Please note, however, that if the holder of record of your shares is your broker,

bank or other nominee and you wish to vote at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

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

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

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

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

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

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

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

Q: Should I send in my stock certificates now?

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

Q: Am I entitled to appraisal rights? (see page 43)

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

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

Q: What happens if the merger is not completed? (see page 58)

A: If the merger is not completed, E.mergent and ClearOne will continue as independent companies. In addition, under the terms of the merger agreement, E.mergent may be required to pay ClearOne a termination fee of up to $1,000,000 and/or reimburse ClearOne for up to $500,000 in certain expenses if the merger is not completed for the reasons discussed in more detail in this document. Alternatively, under the terms of the merger agreement,

ClearOne may be required to reimburse E.mergent for up to $500,000 of certain expenses if the merger is not completed for the reasons discussed in more detail in this document.

Q: Are there risks that I should consider in deciding whether to vote for the merger?

A: Yes. In the section entitled "Risk Factors" beginning on page 20 of this document, we have described a number of risk factors that you should consider in deciding how to vote.

Q: Who can help answer my questions? (see page 70)

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

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

Email: proxy@emergentincorporated.com

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

SUMMARY

The following is a summary of the information contained in this document and not otherwise summarized as part of the Questions and Answers section. This summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents referred to for a more complete understanding of the merger and related transactions. In particular, you should read the annexes attached to this document, including the merger agreement and the form of voting agreement, which are attached to this document as Annexes A and B, respectively. In addition, ClearOne and E.mergent incorporate by reference into this document important business and financial information. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 70 of this document.

The Companies

ClearOne Communications, Inc. (see pages 63 and 70)
1825 Research Way
Salt Lake City, Utah 84119
Telephone (801) 975-7200

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

E.mergent, Inc. (see pages 62 and 70)
5960 Golden Hills Drive
Golden Valley, MN 55416
Telephone (763) 417-4257

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

Structure and Effects of the Merger (see page 46)

At the effective time of the merger, E.mergent will be merged into a wholly owned subsidiary of ClearOne, with the subsidiary continuing as the surviving entity. As part of the process, the stockholders of E.mergent will become stockholders of ClearOne, and their rights as stockholders will be governed by the ClearOne articles of incorporation and bylaws, as currently in effect, and the laws of the State of Utah. Following the merger, ClearOne intends to maintain E.mergent's operations as a wholly-owned subsidiary of ClearOne for some period of time. The membership of ClearOne's board of directors will remain unchanged as a result of the merger. ClearOne and E.mergent anticipate that following the merger Robin Sheeley, E.mergent's current Chief Technical Officer will become the Chief Technology Officer of ClearOne, while James Hansen will resign as E.mergent's Chairman, Chief Executive Officer, President and Treasurer and Jill Larson will resign as E.mergent's Vice President-Administration and Corporate Secretary.

As a result of the merger, each outstanding share of E.mergent common stock will be converted into the right to receive cash and a fraction of a share of ClearOne common stock. The exact amount of cash and stock exchanged for each share of E.mergent common stock will be determined upon the completion of the merger.

Each share of E.mergent common stock held by E.mergent, ClearOne, or any direct or indirect wholly-owned subsidiary of ClearOne immediately prior to the effective time of the merger will be canceled and extinguished. Fifty thousand

three hundred and seventeen (50,317) shares of E.mergent common stock currently held by E.mergent as treasury shares will be issued to E.mergent employees as part of an anticipated bonus prior to completion of the merger and will be treated as issued and outstanding shares at the effective time of the merger.

The exchange ratios used in the merger will also be adjusted to reflect the effect of any forward stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into ClearOne common stock or E.mergent common stock), extraordinary cash dividend, reorganization, recapitalization, reclassification, combination, exchange of shares or other like changes with respect to ClearOne common stock or E.mergent common stock occurring prior to the effective time of the merger.

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

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

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

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

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

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

Some of E.mergent's directors and executive officers have interests in the merger that are different from, or in addition to, those of E.mergent stockholders generally. These include interests of James Hansen, E.mergent's Chief Executive Officer and Chairman, Robin Sheeley, the Chief Technical Officer and a director, and Jill Larson, the Vice President-Administration and Corporate Secretary. In the event that the employment of these executive officers is terminated immediately after the merger (as is currently anticipated for Mr. Hansen and Ms. Larson but not for Mr. Sheeley), it is estimated that the severance payments payable under their employment agreements, plus the value of the related benefits, would be approximately $189,000 to Mr. Hansen, $120,000 to Ms. Larson, and $160,000 to Mr. Sheeley. Also, Mr. Hansen has an option to buy 10,000 E.mergent common shares at $3.37 per share and Ms. Larson has an option to buy 3,333 E.mergent common shares at $1.47, which options will become vested immediately prior to the closing of the merger.

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

The Merger Agreement (see page 46)

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

Conditions to Completion of the Merger. ClearOne's and E.mergent's obligations to complete the merger are subject to the satisfaction of conditions specified in the merger agreement, including the condition that no material adverse effect on either ClearOne or E.mergent will have occurred prior to the merger. The conditions to completion of the merger may be waived by the company entitled to assert the condition.

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

- if ClearOne and E.mergent do not complete the merger by April 8, 2002

(or May 31, 2002 if the registration statement of which this document forms a part is reviewed by the Securities and Exchange Commission);

- if a court or other governmental authority issues a final order prohibiting the merger and such order is not appealable;
- if the E.mergent stockholders do not adopt and approve the merger agreement and the merger, provided such failure is not the result of a breach by E.mergent;
- if the other company breaches in a material manner any of its covenants or other agreements contained in the merger agreement;
- if the representations or warranties of the other company contained in the merger agreement become untrue or inaccurate in a way that constitutes a material adverse effect on that company;
- if an event has occurred or a circumstance has arisen that would reasonably be expected to have a material adverse effect on the other company that is not curable by that company through the exercise of its commercially reasonable efforts within sixty (60) days of the date of such occurrence or circumstance; or
- in the event that the weighted average closing price of ClearOne common stock as quoted on the Nasdaq National Market for the fifteen (15) trading days ending one day prior to the date of the scheduled completion of the merger is greater than $23 or less than $14.

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

ClearOne may also terminate the merger agreement if:

- E.mergent's board of directors withdraws or changes in a manner adverse to ClearOne the unanimous recommendation of its non-interested directors in favor of the adoption and approval of the merger agreement and approval of the merger;
- E.mergent's board of directors undertakes certain action, or fails to take certain action, when addressing certain types of extraordinary transactions with a third party, such as a merger, exchange offer, business combination or sale of a material amount of assets or capital stock; or
- E.mergent stockholders holding 15% or more of the issued and outstanding shares of E.mergent elect to pursue dissenters' rights, whether such holders have perfected such rights or not.

E.mergent must pay ClearOne a fee of $1,000,000 in cash and/or reimburse ClearOne for up to $500,000 in actual legal, accounting and advisory fees and costs incurred by ClearOne, if the merger agreement is terminated under some circumstances. ClearOne must reimburse E.mergent for up to $500,000 in actual legal, accounting and advisory fees and costs incurred by E.mergent if the merger agreement is terminated under some circumstances.

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

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

Share Ownership of Management

As of the close of business on the record date for the special meeting of E.mergent stockholders at which the merger agreement and the merger will be presented and voted upon, directors and executive officers of E.mergent (and their respective affiliates) collectively owned approximately 41% of the outstanding shares of E.mergent common stock. This does not include 342,000 shares of E.mergent common stock issuable upon the exercise of presently exercisable options which these directors and officers beneficially own. If all of these stock options had been exercised prior to the record date for the special meeting, the directors and executive officers of E.mergent (and their respective affiliates) would collectively own approximately 44% of the outstanding shares of E.mergent common stock entitled to vote at the special meeting.

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

Assuming that the merger will qualify as a "reorganization" under section 368(a) of the Internal Revenue Code, E.mergent's stockholders will only recognize gain, if any, for federal income tax purposes, to the extent they receive cash in the merger. In addition, E.mergent stockholders will recognize gain or loss, as the case may be, to the extent they receive cash in lieu of the receipt of a fractional share of ClearOne's common stock.

If the merger is completed at a time when the ClearOne common stock that you receive has a value less than the cash that you receive in the merger, however, the merger may not so qualify as a reorganization. This would occur if the value of the ClearOne stock declined below $10.25 per share at the time of the merger. In such event, the exchange of your E.mergent shares in the merger would generally be treated as a fully taxable sale of your E.mergent stock for the value you received from ClearOne.

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

Risks of the Merger (see page 20)

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

No Governmental Approvals or Regulatory Requirements

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

Selected Historical Financial Data

E.mergent

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

	Years Ended December 31,			
	2001	2000	1999	1998
Operating Results				
Net sales	$ 22,417,149	$ 21,830,372	$ 12,538,462	$ 6,162,986
Cost of goods sold	14,322,420	13,767,699	7,188,236	3,624,603
Gross profit	8,094,729	8,062,673	5,350,226	2,538,383
Marketing and selling	3,446,311	3,023,696	1,373,275	1,058,180
General and administrative	3,104,752	3,128,010	2,267,163	1,147,245
Research and development	662,719	781,616	852,400	643,643
Operating income (loss)	880,947	1,129,351	857,388	(310,685
Other income (expense)	(81,203)	(151,092)	(4,376)	89,587
Income (loss) from continuing operations before income taxes	799,744	978,259	853,012	(221,098
Income tax benefit (expense)	(313,000)	56,000	25,000	25,000
Income (loss) from continuing operations	$ 486,744	$ 1,034,259	$ 878,012	$ (196,098

Earnings (loss) per common share:				
Basic earnings (loss) from continuing operations	$ 0.08	$ 0.18	$ 0.18	$ (0.05
Diluted earnings (loss) from continuing operations ...	$ 0.08	$ 0.17	$ 0.17	$ (0.05
Weighted average shares outstanding:				
Basic	5,844,860	5,741,330	4,969,244	3,912,319
Diluted	6,021,554	6,136,968	5,126,053	4,008,682
Balance sheet data:				
Current assets	$ 8,404,046	$ 10,028,843	$ 7,285,825	$ 4,135,868
Property, plant and equipment, net	473,482	624,890	833,681	469,303
Total assets	10,835,383	12,810,402	10,256,755	4,784,511
Current liabilities	2,483,507	4,655,584	4,099,368	795,935
Long-term debt and capital leases, net of current maturities	403,245	654,136	98,418	24,300
Total stockholders' equity	7,648,213	7,190,194	5,950,729	3,964,276

ClearOne

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

	Six Months Ended December 31,	
	2001	2000
Continuing operating results:		

Net sales	$23,802,681	$19,013,379
Costs of goods sold	9,639,094	7,736,711
Gross profit	14,163,587	11,276,668
Marketing and selling	5,232,153	3,823,572
General and administrative	2,558,786	2,497,052
Product development	1,921,523	1,040,495
Operating income (loss)	4,451,125	3,915,549
Other income (expense)	210,558	182,806
Income (loss) from continuing operations before income taxes	4,661,683	4,098,355
Provision for income taxes	1,758,096	1,551,990
Income (loss) from continuing operations	$ 2,903,587	$ 2,546,365
Earnings per common share:		
Basic earnings (loss) from continuing operations	$ 0.33	$ 0.30
Diluted earnings (loss) from continuing operations	$ 0.31	$ 0.28
Weighted average shares outstanding:		
Basic	8,800,239	8,567,730
Diluted	9,368,505	9,029,617
Balance sheet data:		
Current assets	$41,355,746	$17,295,639
Property, plant and equipment, net	3,855,540	3,339,184
Total assets	57,540,874	23,654,073
Current liabilities	3,104,380	3,335,282
Long-term debt, net of current maturities	--	--
Capital leases, net of current maturities	17,110	96,451
Total stockholders' equity	51,543,736	20,017,340

	Years Ended June 3		
	2001	2000	1999
Continuing operating results:			
Net sales	$39,878,405	$28,118,413	$20,268,102
Costs of goods sold	16,503,062	11,008,323	8,907,754
Gross profit	23,375,343	17,110,090	11,360,348
Marketing and selling	7,753,292	6,165,917	4,313,639
General and administrative	4,648,999	3,132,125	2,544,665
Product development	2,502,169	1,270,819	1,194,686
Operating income (loss)	8,470,883	6,541,229	3,307,358
Other income (expense)	373,147	179,336	(78,112)
Income (loss) from continuing operations before income taxes	8,844,030	6,720,565	3,229,246
Provision for income taxes	3,318,845	2,418,823	1,208,900
Income (loss) from continuing operations	$ 5,525,185	$ 4,301,742	$ 2,020,346
Earnings per common share:			
Basic earnings (loss) from continuing			

operations	$ 0.64	$ 0.52	$ 0.25
Diluted earnings (loss) from continuing operations	$ 0.61	$ 0.49	$ 0.24
Weighted average shares outstanding:			
Basic	8,593,510	8,269,941	8,080,536
Diluted	9,015,644	8,740,209	8,468,884
Balance sheet data:			
Current assets	$19,295,720	$14,816,321	$ 9,281,753
Property, plant and equipment, net	3,696,615	3,050,349	2,125,959
Total assets	27,597,623	17,920,531	11,519,414
Current liabilities	2,301,886	2,756,780	2,494,666
Long-term debt, net of current maturities	--	--	--
Capital leases, net of current maturities	48,227	205,530	455,389
Total stockholders' equity	24,501,510	14,753,221	8,352,359

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

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

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

Unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have actually been reported had the transactions occurred on the proforma dates indicated above, nor is it necessarily indicative of future financial position or results of operations. These unaudited pro forma condensed combined financial statements are based on the respective historical financial statements of ClearOne, Ivron Systems and E.mergent and do not incorporate, nor do they assume, any benefits from cost savings or synergies of operations of the combined company. The unaudited pro forma condensed combined financial information should be read together with ClearOne's historical financial statements and those of Ivron Systems and E.mergent, including the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all of which are incorporated by reference.

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

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

	ClearOne (Historical)	Pro Forma Adjustments for Final Ivron Valuation	E.mergent (Historical)	Pro Forma Adjustments for E.mergent Acquisition		Pr Comb Sys E. Acqu
ASSETS						
Current assets						
Cash and cash equivalents	$ 26,801		$ 807	$ (9,040)	E	$
Accounts receivable, net	8,349		3,300			
Note receivable - current portion	258					
Inventory	4,895		3,736			
Deferred taxes	247		425			
Other current assets	806		136			
Total current assets	41,356		8,404	(9,040)		
Property and equipment, net	3,856		473			
Goodwill, net	2,810		999	(999)	B	

						15,195	F	
Note receivable, long-term portion	1,606			42				
Other intangible assets, net	7,841	$ 1,700	A	692		(692)	B	
Deposits and other assets	72			225		(150)	G	
Total assets	$57,541	$ 1,700		$10,835	$	4,314		$
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities								
Accounts payable	$ 1,585			$ 862				$
Accrued expenses	1,418			619				
Current portion of unearned maintenance contracts				764				
Current portion of capital lease and long-term debt obligations	101			238				
Total current liabilities	3,104			2,483				
Unearned maintenance contracts				300				
Long-term debt and capital lease obligations	17			403				
Deferred consideration - Ivron	2,130	$ 1,700	A					
Deferred tax liability	746							
Total liabilities	5,997	1,700		3,186				
Shareholders' equity								
Common stock	10			59		$ (59)	I	
						7	K	
Additional paid in capital	33,100			7,864		(7,864)	I	
						10,786	K	
						1,292	H	
Treasury stock				(73)		73	J	
Note receivable from shareholder				(122)				
Retained earnings (accumulated deficit)	18,434			(79)		79	I	
Total shareholders' equity	51,544			7,649		4,314		
Total liabilities and shareholders' equity	$57,541	$ 1,700		$ 10,835	$	4,314		$

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

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

	ClearOne (Historical)	Ivron Systems (Historical)	Pro Forma Adjustments for Ivron Systems Acquisition		Pro Forma Combined for Ivron Systems Acquisition	E.merge (Histori
Net sales	$23,803	$ 47			$ 23,850	$ 11,84
Cost of goods sold	9,639	343			9,982	7,58
Gross profit (loss)	14,164	(296)			13,868	4,25
Operating expenses						
Marketing and selling	5,232	304			5,536	1,62
General and administrative	2,559	695	$ (46)	B	3,208	1,48
Research and product development	1,922	116	240	C	2,278	34
Total operating expenses	9,713	1,115	194		11,022	3,45
Operating income (loss)	4,451	(1,411)	(194)		2,846	80
Other income (expense)	211	(126)			85	(1
Income (loss) from continuing operations before income taxes	4,662	(1,537)	(194)		2,931	79
Provision (benefit) for income taxes	1,758		(72)	D	1,686	30
Income (loss) from continuing operations	$ 2,904	$(1,537)	$ (122)		$ 1,245	$ 48
Basic earnings per common share	$ 0.33					
Diluted earnings per common share	$ 0.31					
Weighted average shares outstanding:						
Basic	8,800					
Diluted	9,369					

See accompanying notes to unaudited pro forma condensed combined financial statements

(in `000s)

	ClearOne (Historical)	Ivron (Historical)	Pro Forma Adjustments for Ivron Systems Acquisition		Pro Forma Combined for Ivron Systems Acquisition	E.merg (Histor
Net sales	$39,878	$ 608			$ 40,486	$ 22,
Cost of goods sold	16,503	798			17,301	14,
Gross profit (loss)	23,375	(190)			23,185	8,
Operating expenses						
Marketing and selling	7,753	1,588			9,341	3,
General and administrative	4,649	555	$ (182)	B	5,022	3,
Research and product development	2,502	732	961	C	4,195	
Total operating expenses	14,904	2,875	779		18,558	7,
Operating income (loss)	8,471	(3,065)	(779)		4,627	
Other income (expense)	373				373	(
Income (loss) from continuing operations before income taxes	8,844	(3,065)	(779)		5,000	
Provision (benefit) for income taxes	3,319		(290)	D	3,029	
Income (loss) from continuing operations	$ 5,525	$(3,065)	$ (489)		$ 1,971	$
Basic earnings per common share	$ 0.64					
Diluted earnings per common share	$ 0.61					
Weighted average shares outstanding:						
Basic	8,594					
Diluted	9,016					

See accompanying notes to unaudited pro forma condensed combined financial statements

Notes to Unaudited Pro Forma Condensed Combined Financial Information

NOTE 1.

On October 3, 2001, ClearOne executed a share purchase agreement with Ivron Systems. ClearOne paid cash of $6,000,000 for all issued and outstanding shares of Ivron Systems, cash of $650,000 for all outstanding options to purchase common shares of Ivron Systems, and incurred acquisition costs of $274,000 in the transaction. Additional consideration may be issued to Ivron Systems' shareholders if certain contingencies related to future earnings targets as defined in the share purchase agreement are met. The following is a summary of

the purchase price allocation using the October 3, 2001 balance sheet of Ivron Systems (in 000's):

Cash	$ 460
Accounts receivable	132
Inventory	608
Fixed assets	21
Goodwill and other intangible assets	9,974
Accounts payable	(175)
Accrued expenses	(266)
Deferred consideration	(3,830)
Total	$6,924

On January 21, 2002, ClearOne entered into a definitive agreement to acquire E.mergent. Under the terms of the agreement, ClearOne will acquire all of the issued and outstanding stock of E.mergent; thereby acquiring title to all assets and assuming all liabilities of E.mergent. As consideration in the transaction, ClearOne will pay cash of $7,300,000 and issue 873,000 shares of its common stock, less the aggregate number of shares of common stock allocated to E.mergent's outstanding stock options assumed by ClearOne in the merger. Outstanding E.mergent stock options will be converted to options to purchase ClearOne's common stock at the ratio specified in the agreement and plan of merger. The value of such stock consideration is based on ClearOne's average closing price two days prior to and two days subsequent to March 12, 2002 of $14.47. The actual value will not be determined until shortly before the completion of the merger and could impact the pro forma information presented. Additionally, ClearOne expects to incur acquisition costs of $890,000 in the transaction (including approximately $312,000 for anticipated severance payments to terminating E.mergent executives). E.mergent expects to incur transaction related costs of approximately $850,000. Such costs will be paid immediately prior to the merger. The following is a summary of the preliminary purchase price allocation using the December 31, 2001 balance sheet of E.mergent (in 000's):

Cash	$ (43)
Accounts receivable	3,300
Inventory	3,736
Fixed assets	473
Other assets	678
Shareholder receivable	122
Goodwill and other intangible assets	15,195
Accounts payable	(862)
Accrued expenses and customer deposits	(619)
Unearned maintenance contracts	(1,064)
Capital leases and long-term debt	(641)
Total	$ 20,275

NOTE 2.

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

(A) Based upon a final report from an independent valuation firm, developed technology and the related contingent liability associated with the Ivron Systems acquisition both increased $1.7 million. Contingent consideration reflects the difference between the fair value of the assets acquired and the cash consideration paid, pursuant to the provisions of FASB Statement No. 141 (FAS No. 141), Business Combinations. Such contingent consideration may be paid out if certain contingencies related to future earnings targets as defined in the share purchase agreement between ClearOne and Ivron Systems. Any consideration in excess of the amount recorded as a liability will be allocated to goodwill.

(B) Elimination of E.mergent and Ivron historical goodwill and other intangibles (and the related amortization) that were or will be revalued as part of the purchase price allocation.

(C) Values were assigned to intangibles related to the Ivron Systems acquisition as follows: developed technology - $9,700,000; goodwill - $274,000. These allocations are based upon a final report from an independent valuation firm. The developed technology was determined by the independent valuation firm to have useful lives as follows, with the resulting impact on amortization expense:

Value of Technology	Useful Life	Amortization for the Six months ended December 31, 2001	Fiscal Year ended June 30, 2001
$ 135,000	3	$ 11,250	$ 45,000
2,091,000	5	104,550	418,200
7,474,000	15	124,567	498,267
$ 9,700,000		$240,367	$ 961,467

(D) The tax impact of amortization, as calculated using ClearOne's blended statutory rate of 37.2%.

(E) Cash consideration to be paid to former E.mergent shareholders of $7,300,000 plus ClearOne and E.mergent transaction costs of $1,740,000.

(F) Amount represents goodwill of $15,195,000 including capitalized acquisition costs of approximately $890,000 (including approximately $312,000 for anticipated severance payments to terminating E.mergent executives). For purposes of these pro forma financial statements and based upon a preliminary valuation by the independent valuation firm, the excess of the purchase price over the fair value of the tangible assets acquired has been allocated to goodwill. Accordingly, pursuant to FAS No. 142, Goodwill and Other Intangible Assets, no related amortization has been reflected in the accompanying pro forma statements of operations. While ClearOne does not anticipate that the final valuation will differ materially from the preliminary valuation, upon completion of the final purchase price allocation, certain amounts may be reclassified to other intangible assets which could result in the recognition of additional amortization expense.

(G) Represents the elimination of an investment that was deemed to have no

future value to ClearOne.

(H) Represents the fair value, as determined in accordance with FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation--An Interpretation of APB Opinion 25, of the vested options to purchase ClearOne common stock that were issued in exchange for vested options to purchase E.mergent common stock in conjunction with the agreement and plan of merger.

(I) Elimination of E.mergent's historical equity.

(J) In accordance with the agreement and plan of merger, the treasury stock held by E.mergent, which consisted of 50,317 shares, will be distributed to E.mergent employees immediately prior to the consummation of the merger.

(K) Reflects the value of the shares of ClearOne common stock issued to holders of E.mergent common stock as follows: (745,343 shares x $14.47 per share). The per share price is based on ClearOne's average closing price two days prior to and two days subsequent to March 12, 2002 and assumes that no E.mergent stock options outstanding on the date of the merger agreement have been exercised. The actual value of the stock consideration will not be determined until shortly before the completion of the merger and could impact the pro forma information presented.

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

HISTORICAL AND PRO FORMA COMPARATIVE PER SHARE DATA

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

The unaudited equivalent pro forma per share data are calculated based on the unaudited pro forma combined per share data (which gives effect to the Ivron acquisition and the private placement transaction as well as the E.mergent acquisition) multiplied by an exchange ratio of 0.21066 of a share of ClearOne common stock for each share of E.mergent common stock outstanding. This exchange ratio (i) reflects the average closing price of the ClearOne common stock two days prior to and two days subsequent to March 12, 2002 of $14.47, and (ii) assumes that no E.mergent stock options outstanding on the date of the merger agreement have been exercised. The actual exchange ratio will not be determined until shortly before the completion of the merger and will impact the pro forma per share amounts shown on this page. Neither ClearOne nor E.mergent has ever declared or paid dividends.

	Fiscal Year Ended June 30, 2001	Six Months Ended December 31, 2001

CLEARONE HISTORICAL:		
Basic earnings per share from continuing operations	$ 0.64	$ 0.33
Diluted earnings per share from continuing operations	0.61	0.31
Book value per share	2.84	5.97
E.MERGENT:		
Basic earnings per share (unaudited)	0.13	0.08
Diluted earnings per share (unaudited)	0.12	0.08
Book value per share (unaudited)	1.25	1.29
UNAUDITED PRO FORMA COMBINED:		
Basic earnings per share	0.26	0.17
Diluted earnings per share	0.25	0.16
Book value per share	--	5.83
UNAUDITED EQUIVALENT PRO FORMA COMBINED:		
Basic earnings per share	0.05	0.03
Diluted earnings per share	0.05	0.03
Book value per share	--	1.23

COMPARATIVE PER SHARE MARKET PRICE DATA

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

The following table shows the closing prices per share of E.mergent common stock and ClearOne common stock as reported on the Nasdaq SmallCap Market and the Nasdaq National Market, respectively, on (1) January 18, 2002, the business day preceding the public announcement that ClearOne and E.mergent had entered into the merger agreement and (2) _____, 2002, the last full trading day for which closing prices were available at the time of the printing of this document.

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

	E.mergent Common Stock	ClearOne Common Stock	Equivalent Price Per Share
January 18, 2002	$2.95	$17.16	$3.41 (1)
_____, 2002	$	$	$____ (2)

(1) Represents the combined value of cash ($1.23) and stock ($2.18).
(2) Represents the combined value of cash ($___) and stock ($____). Assumes that no E.mergent stock options were exercised after January 18, 2002.

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

RISK FACTORS

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

Risks Relating to the Merger

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

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

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

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

- retaining the combined company's customers and suppliers by maintaining

client service standards, business focus and product quality during the period of integration;

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

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

In addition, any integration problems ClearOne experiences could divert ClearOne management's attention from other business opportunities, which could result in slower revenue growth than anticipated or in declines in revenue.

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

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

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

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

ClearOne's and E.mergent's customers may, in response to the announcement or consummation of the merger, delay or defer purchasing decisions. This could occur because they may be reluctant to purchase either company's product if they are uncertain about the direction of the combined company's product offerings and its willingness to support and service existing products. Specifically, certain customers of E.mergent are competitive with ClearOne in

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

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

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

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

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

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

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

Third parties may terminate or alter existing contracts with E.mergent as a result of the merger.

E.mergent has contracts with several of its customers, distributors, and licensors that may require E.mergent to obtain consent from these other parties in connection with the merger. E.mergent is in the process of soliciting such consents but has not received sufficient response to determine if all customers, distributors, and licensors will consent. If their consent cannot be obtained, these contracts may be terminated and E.mergent may suffer a loss of potential future revenue or other benefits that are material to E.mergent's business and

the business of the combined company.

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

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

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

ClearOne will allocate the cost of the items described above to the individual assets acquired and liabilities assumed, including intangible assets such as acquired technology based on their respective fair values. Any excess of the consideration paid over the fair values of tangible and identifiable intangible assets will be recorded as goodwill. Intangible assets other than goodwill, if any, will be amortized over their respective useful lives. In accordance with the provisions of FASB Statement No. 142, "Goodwill and Other Intangible Assets," ClearOne will not amortize any goodwill recorded. Instead, such goodwill will be evaluated for potential impairment on at least an annual basis. Any impairment will be recorded in the period in which it is determined to exist. The amount of purchase cost allocated to goodwill and other intangibles is estimated to be approximately $15.2 million, computed using the estimated purchase price of $20.3 million which is based on the average closing price ($14.47) of ClearOne's common stock two days prior to and two days subsequent to March 12, 2002.

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

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

ClearOne estimates that it will incur direct transaction costs of approximately $890,000 associated with the merger (including approximately $312,000 for anticipated severance payments to terminating E.mergent executives), which will be included as a part of the total purchase price for accounting purposes. In addition, E.mergent estimates that it will incur direct transaction costs of approximately $850,000, including the fees and expenses payable to Goldsmith, Agio, Helms in connection with the merger (which fees will be in large part determined by the value of the ClearOne common stock and cash paid by ClearOne, calculated at the time of the merger). See "The Merger and

Related Transaction - Opinion of E.mergent's Financial Advisor beginning on page 34 of this document. ClearOne believes the combined company may incur charges to operations, which currently cannot be reasonably estimated, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the businesses and operations of ClearOne and E.mergent. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

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

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

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

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

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

Further, if the merger agreement is terminated and the E.mergent board of directors determines to seek another merger or business combination, E.mergent may not be able to find a partner willing to pay an equivalent or more attractive price than that which would be paid in the merger.

The termination fee and restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire E.mergent.

Until completion of the merger, with some exceptions, E.mergent is prohibited from initiating or engaging in discussions with a third party regarding some types of extraordinary transactions, such as a merger, business, combination or sale of a material amount of assets or capital stock. In addition, E.mergent agreed to pay a termination fee to ClearOne in specified circumstances. These provisions could discourage other companies from trying to acquire E.mergent even though those other companies might be willing to offer greater value to E.mergent stockholders than ClearOne has offered in the merger. The payment of the termination fee could also have a material adverse effect on E.mergent's financial condition and results of operations.

Risks Relating to ClearOne's Business

ClearOne faces intense competition in the audio and videoconferencing industries, and its operating results will be harmed if ClearOne cannot compete effectively against other companies.

The markets for ClearOne products and services are highly competitive. These markets include ClearOne's traditional dealer channel, the market for its conferencing services, and its retail channel. ClearOne competes with businesses having substantially greater financial, research and development, manufacturing, marketing, and other resources. ClearOne expects its competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater performance and improved pricing. To remain competitive, ClearOne is required to devote substantial resources to maintaining product and services offerings that include current technology and advance features, but it is possible these efforts will not be sufficient to keep pace with competitors' efforts to improve their technology and product features. If

ClearOne is not able to continually design, manufacture, and successfully introduce new or enhanced products or services that are comparable or superior to those provided by other companies, ClearOne could experience pricing pressures and reduced sales, margin, profits, and market share, each of which could materially harm its business.

Difficulties in estimating customer demand in its product segment could harm ClearOne's profit margins.

Orders from ClearOne's resellers are based on demand from end-users. Prospective end-user demand is difficult to measure. This means that any period could be adversely impacted by low ClearOne end-user demand, which could in turn negatively affect orders ClearOne receives from resellers. ClearOne's expectations for both short- and long-term future net revenues are based on its own estimates of future demand as well as backlog based on its blanket purchase order program in which certain dealers commit to purchase specified quantities of products over a twelve month period. ClearOne also bases expense levels on those revenue estimates. If ClearOne's estimates of sales are not accurate and it experiences unforeseen variability in its revenues and operating results, it will hamper ClearOne's ability to manage expense levels accordingly, thereby adversely affecting profit margins.

ClearOne's profitability may be adversely affected by its continuing dependence

on its distribution channels.

ClearOne markets its products primarily through a network of dealers and master distributors. All of its agreements regarding such dealers and distributors are non-exclusive and terminable at will by either party. It cannot be assured that any or all such dealers or distributors will continue to offer ClearOne products.

Price discounts to ClearOne's distribution channels are based on performance. However, there are no obligations on the part of such dealers and distributors to provide any specified level of support to ClearOne's products or to devote any specified time, resources or efforts to the marketing of ClearOne's products. There are no prohibitions on dealers or distributors offering products that are competitive with ClearOne's products. Most dealers do offer competitive products. ClearOne reserves the right to maintain house accounts, which are for products sold directly to customers. The loss of dealers or distributors could have a material adverse effect on ClearOne's business.

ClearOne's reseller customer contracts are typically short-term and early terminations of its contracts may cause its revenues to decline and harm its profit margins.

ClearOne does not typically enter into long-term contracts with its reseller customers, and ClearOne cannot be certain as to future order levels from its reseller customers. When ClearOne does enter into a long-term contract, the contract is generally terminable at the convenience of the customer. In the event of an early or unanticipated termination by one or more of ClearOne's larger reseller customers, it is unlikely that ClearOne will be able to rapidly replace that revenue source or rapidly reduce its expense levels to compensate for such loss of revenues, both of which would harm its net revenues and profit margins.

Service interruptions could negatively affect revenues from ClearOne's conference calling service business.

ClearOne relies heavily on its network equipment, telecommunications providers, data, and software to support all of its functions. ClearOne's conference calling services, which produced 29.3% of ClearOne's revenues during its last fiscal year, relies 100 percent on its network equipment for its revenues. ClearOne cannot guarantee that its back-up systems and procedures will operate satisfactorily in an emergency. Should ClearOne experience such a material failure of its equipment or the services of its telecommunications providers, it would substantially affect revenues and could seriously jeopardize ClearOne's ability to continue operations. In particular, should ClearOne's conference calling service experience even a short-term interruption of its network or telecommunication providers, ClearOne's ongoing customers may choose a different provider, and its reputation may be damaged, reducing its ability to retain current customers and attract new customers.

ClearOne depends on a limited number of suppliers for components and the inability to obtain sufficient components could adversely affect its product sales.

Certain electronic components used in connection with ClearOne's products can only be obtained from single manufacturers and ClearOne is dependent upon the ability of these manufacturers to deliver such components to its suppliers so that they can meet ClearOne's delivery schedules. ClearOne does not have a written commitment from such suppliers to fulfill ClearOne's future requirements. ClearOne's suppliers maintain an inventory of such components, but

ClearOne has no assurance that such components will always be readily available, available at reasonable prices, available in sufficient quantities, or deliverable in a timely fashion. If such key components become unavailable, it

is likely that ClearOne will experience delays, which could be significant, in production and delivery of its products unless and until ClearOne can otherwise procure the required component or components at competitive prices, if at all. The lack of availability of these components could have a materially adverse effect on ClearOne ability to sell products.

ClearOne has experienced long component lead times in the past, but it is experiencing improved lead times on many products. Even though ClearOne has purchased more of these "longer-lead-time" parts to ensure continued delivery of products, reduction in these inventories has tracked with the reduction of lead times. Suppliers of some of these components are currently or may become competitors of ClearOne, which might also affect the availability of key components to ClearOne. It is possible that other components required in the future may necessitate custom fabrication in accordance with specifications developed or to be developed by ClearOne. Also, in the event ClearOne, or any of the manufacturers whose products ClearOne expects to utilize in the manufacture of its products, are unable to develop or acquire components in a timely fashion, ClearOne's ability to achieve production yields, revenues and net income may be adversely affected.

Product development delays could harm ClearOne's competitive position and reduce its revenues.

ClearOne may experience technical difficulties and delays with the development and introduction of new products. The products developed by ClearOne involve sophisticated and complicated components and manufacturing techniques involving new technologies. Potential difficulties in the development process that could be experienced by ClearOne include difficulty in meeting required specifications, hiring a sufficient number of developers, discovery of software bugs, and achieving necessary manufacturing efficiencies. ClearOne has experienced product development delays associated with its video conferencing products. If ClearOne is not able to manage and minimize such potential difficulties, its sales could be negatively affected.

Delays in the distribution process could have an adverse effect on ClearOne's sales.

ClearOne's sales results are dependent in part on its ability to provide prompt, accurate, and complete services to customers on a timely and competitive basis. Delays in distribution in ClearOne's day-to-day operations or material increases in costs of procuring and delivering products could have an adverse effect on ClearOne's ability to generate revenues from product sales. Any failure of ClearOne's computer operating systems, the Internet or its telephone system could adversely affect its ability to receive and process customers' orders and ship products on a timely basis. Strikes, termination of air travel, or other service interruptions affecting Federal Express Corporation, United Parcel Service of America, Inc., or other common carriers used by ClearOne to receive necessary components or other materials or to ship its products also could impair its ability to deliver products on a timely and cost-effective basis. Such failures would likely negatively affect ClearOne's sales and net revenues.

If ClearOne is unable to protect its intellectual property rights, its competitive position could be harmed or ClearOne could be required to incur expenses to enforce its rights.

ClearOne currently relies primarily on a combination of trade secrets, copyrights, trademarks, and nondisclosure agreements to establish and protect its proprietary rights in its products. ClearOne cannot assure that others will not independently develop similar technologies, or duplicate or design around aspects of its technology. ClearOne believes that its products and other proprietary rights do not infringe upon any proprietary rights of third parties. ClearOne cannot assure you, however, that third parties will not assert infringement claims in the future. Such claims could divert ClearOne's management's attention and be expensive, regardless of their merit. In the event of a claim, ClearOne might be required to license third party technology or redesign its products, which may not be possible or economically feasible.

Existing directors and officers can exert considerable control over ClearOne.

The officers and directors of ClearOne together had beneficial ownership of approximately 21.5% of its common stock (including options that are currently exercisable or exercisable within sixty (60) days) as of March 1, 2002. Assuming the ClearOne officers' and directors' actual beneficial ownership remained unchanged until completion of the merger, together they would have beneficial ownership of approximately 19.8% of ClearOne's common stock after the merger. This significant holding in the aggregate places the officers and directors in a position, when acting together, to have substantial control over ClearOne and could delay or prevent a change in control.

International sales are accounting for an increasing portion of ClearOne's net revenue, and risks inherent in international sales could harm its profitability.

International sales represent a significant portion of ClearOne's total revenue from continuing operations. For example, international sales represented 13% of its total sales from continuing operations for fiscal 2001 and 12% for fiscal 2000. ClearOne's international business is subject to the financial and operating risks of conducting business internationally, including: unexpected changes in, or imposition of, legislative or regulatory requirements; fluctuating exchange rates, tariffs and other barriers; difficulties in staffing and managing foreign subsidiary operations; export restrictions; greater difficulties in accounts receivable collection and longer payment cycles; potentially adverse tax consequences; and, potential hostilities and changes in diplomatic and trade relationships.

ClearOne's sales in the international market are denominated in U.S. Dollars and ClearOne EuMEA transacts business in U.S. Dollars, however, its financial statements are prepared in the Euro, according to German accounting principles. Although conversion to the Euro has eliminated currency exchange rate risk for transactions between the member countries, consolidation of ClearOne EuMEA's financial statements with those of ClearOne, under United States generally accepted accounting principles, requires remeasurement to U.S. Dollars which is subject to exchange rate risks. ClearOne currently does not undertake any hedging activities that might protect against such risks.

The continued integration of ClearOne's subsidiaries and the integration of any additional acquired businesses involve uncertainty and risk.

Following the acquisition of Ivron Systems in October 2001, ClearOne has dedicated substantial management resources in order to achieve the anticipated operating efficiencies from integrating Ivron Systems with ClearOne. The merger with E.mergent will result in additional demands on management resources that could prolong or adversely affect the successful integration of Ivron Systems. In addition, ClearOne intends to pursue acquisition opportunities in the future. The integration of such acquired businesses could require substantial management resources. There can be no assurance that any such integration will be accomplished without having a short or potentially long-term adverse impact on the business, results of operations or financial condition of ClearOne or that the benefits expected from any such integration will be fully realized.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT

This document and the documents incorporated by reference into this document contain forward-looking statements about ClearOne and E.mergent as described in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are subject to the Safe Harbor provisions created by those statutes. Statements about ClearOne and E.mergent containing words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "will," "may," "should," "would," "projects," "predicts," "continues" and similar expressions, or the negative of these terms, identify these forward-looking statements. This document also includes forward-looking statements about the consummation and anticipated timing of the merger, the actual exchange ratio for E.mergent common stock in the merger and the anticipated partially tax-free nature of the merger. Such statements are based on current expectations and are subject to risk, uncertainties and changes in condition, significance, value and effect, including those discussed in the section entitled "Risk Factors" beginning on the page 20 of this document, and reports filed with the Securities and Exchange Commission, specifically Forms 8-K, 10-K and 10-Q for ClearOne and Forms 10-KSB and 10-QSB for E.mergent. Such risks, uncertainties and changes in condition, significance, value and effect could cause each company's actual results to differ materially from those anticipated events. In evaluating the merger agreement and the merger, you should carefully consider the discussion of risks and uncertainties discussed in the Risk Factor section.

THE E.MERGENT SPECIAL MEETING

General

E.mergent is furnishing this document to all stockholders of record of E.mergent common stock in connection with the solicitation of proxies by the E.mergent board of directors for use at the special meeting of E.mergent stockholders to be held on _____, 2002, and at any adjournment or

postponement of the special meeting. This document also is being furnished by ClearOne to E.mergent stockholders as a prospectus for ClearOne common stock to be issued in connection with the merger.

Date, Place, and Time

The special meeting will be held at 10:00 a.m., local time, on _____, 2002, at the Acoustic Communications Systems Division, located at 13705 26th Avenue North, Suite 110, Minneapolis, MN 55441.

Purpose of Special Meeting

At the special meeting, and any adjournment or postponement thereof, E.mergent stockholders will be asked:

1. to consider and vote upon a proposal to adopt and approve the merger agreement and approve the merger; and

2. to transact other business that may properly come before the special meeting and any adjournment or postponement of the special meeting.

A copy of the merger agreement is attached to this document as Annex A. E.mergent stockholders are encouraged to read the merger agreement in its entirety and the other information contained in this document carefully before deciding how to vote.

Under Delaware law, stockholders can consider at the special meeting only the matters contained in the notice for the special meeting.

Record Date for the Special Meeting

The E.mergent board of directors has fixed the close of business on _____, 2002, as the record date for determination of E.mergent stockholders entitled to notice of and to vote at the special meeting or at any adjournment or postponement of the special meeting.

Voting Rights; Quorum

E.mergent has one class of common stock outstanding, which has a par value of $.01 per share. Each holder of E.mergent common stock outstanding on the record date is entitled to one vote for each share held. The holders of a majority of the outstanding shares of E.mergent capital stock entitled to vote must be present at the special meeting, in person or by proxy, to constitute a quorum to transact business. If a quorum is not obtained, or fewer voting shares of E.mergent are voted for the adoption and approval of the merger agreement and the approval of the merger than a majority of the voting shares eligible to vote at the special meeting in person or by proxy, the special meeting may be postponed or adjourned for the purpose of allowing additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner (i.e. mail, via phone, the Internet or in person) as the proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent special meeting.

Required Vote; Abstentions and Broker Non-Votes

As a condition to completion of the merger, the Delaware General

Corporation Law and the merger agreement require that the holders of a majority of all the outstanding shares of E.mergent common stock as of the record date must vote in favor of the merger and merger agreement in order to approve the merger. On the record date, _____ shares of E.mergent common stock were outstanding, held by approximately_____ holders of record.

As of the close of business on the record date for the special meeting of E.mergent stockholders at which the merger agreement and the merger will be presented and voted upon, directors and executive officers of E.mergent (and their respective affiliates) collectively owned approximately 41% of the outstanding shares of E.mergent common stock entitled to vote at the special meeting on the merger agreement and the merger. This does not include 342,000 shares of E.mergent common stock issuable upon the exercise of presently exercisable options which these directors and officers beneficially own.

Four of E.mergent's directors and one officer, holding 2,393,800 shares (approximately 40% of the outstanding shares of E.mergent common stock) have entered into voting agreements and delivered irrevocable proxies, pursuant to which they have agreed to vote their E.mergent shares in favor of adoption and approval of the merger agreement and approval of the merger, in favor of any matter that could reasonably be expected to facilitate the merger, and against any matter which could reasonably be expected to result in a breach by E.mergent of the merger agreement or which could reasonably be expected to result in E.mergent's obligations under the merger agreement to fail to be satisfied.

Abstentions will be treated as shares present in determining whether E.mergent has a quorum for the special meeting, but will not be voted. Accordingly, abstentions will have the same effect as a vote against approval of the merger. In addition, the failure of an E.mergent stockholder to return a proxy will have the effect of a vote against the proposal to adopt and approve the merger agreement and to approve the merger.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. The adoption and approval of the merger agreement and the approval of the merger at the special meeting are not considered routine matters. Accordingly, brokers will not have discretionary voting authority to vote your shares at the special meeting. A "broker non-vote" occurs when brokers do not have discretionary voting authority and have not received instructions from the beneficial owners of the shares. At the special meeting, broker non-votes will be counted for the purpose of determining the presence of a quorum but will not be counted for the purpose of determining the number of votes cast on the merger agreement and the merger. Accordingly, at the special meeting, broker non-votes will have the same effect as a vote against the proposal to adopt and approve the merger agreement and to approve the merger. Consequently, E.mergent stockholders are urged to return the enclosed proxy card marked to indicate their vote.

The board of directors of ClearOne has approved the merger and the issuance of shares of ClearOne common stock in the merger. See "The Merger and Related Transactions - Background of the Merger." Utah law does not require that ClearOne's stockholders approve the merger.

Recommendation of the Board of Directors of E.mergent

The E.mergent board of directors has determined that the merger is

advisable, in the best interests of E.mergent stockholders and on terms that are fair to the stockholders of E.mergent. Accordingly, except for one director who abstained due to a conflict of interest, the E.mergent board of directors has unanimously approved the merger agreement and the merger and recommends that stockholders vote "FOR" adoption and approval of the merger agreement and approval of the merger. The director who abstained chose to do so because he was previously employed by E.mergent's financial advisor, who rendered an opinion on the fairness of the merger as described below. See "The Merger and Related Transactions- Interests of E.mergent's Directors and Officers in the Merger" for a discussion of conflicts of interest that certain directors and members of management may have in connection with the merger.

Dissenters Rights of Appraisal

Under Delaware law, holders of E.mergent common stock that comply with the applicable statutory procedures under Delaware law will be entitled to appraisal rights and to receive payment in cash for the fair value of their shares as determined by the Delaware Chancery Court. A summary of the applicable requirements of Delaware law is contained in this proxy statement/prospectus under the caption "The Merger and Related Transactions - Dissenters Rights of Appraisal ." In addition, the text of the applicable provisions of the Delaware General Corporate Law is attached as Annex D. The exercise of appraisal rights is a complicated legal act and you should not rely solely on the disclosure in this document to inform you how to perfect your rights.

Proxies; Revocation

A proxy card is enclosed for use by E.mergent stockholders. The board of directors of E.mergent requests that stockholders sign and return the proxy card in the accompanying envelope or vote your proxy by phone or the Internet. No postage is required if mailed within the United States. You may vote your proxy by phone twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, on _____, 2002 by dialing 800-240-6326 and following the instructions. You may vote your proxy via the Internet twenty-four (24) hours a day, 7 days a week, until 11:00 a.m., Central Time, on _____, 2002 by going to http://www.eproxy.com/emrt and following the instructions. If you have questions or requests for assistance in voting your proxy, please contact Jill Larson, Secretary of E.mergent, by telephone at 763-417-4257 or by email at proxy@emergentincorporated.com.

All properly executed proxies that E.mergent receives prior to the vote at the special meeting, and which are not revoked, will be voted at the special meeting as instructed on those proxies. Proxies containing no instructions will be voted for adoption and approval of the merger agreement and approval of the merger. A stockholder who executes and returns a proxy or votes a proxy by phone or the Internet, may revoke it at any time before it is voted, but only revoting by phone or the Internet, by executing and returning to E.mergent a proxy bearing a later date, by giving written notice of revocation to an officer of E.mergent, or by attending the special meeting and voting in person. Attendance at the special meeting does not in itself constitute the revocation of a previously submitted proxy. You may deliver written notice of a revocation of a proxy or a changed proxy to:

E.mergent, Inc.
5960 Golden Hills Drive
Golden Valley, MN 55416
Telephone (763) 417-4257

Facsimile: (763) 542-0069
Attention: Jill Larson, Secretary

Brokers holding voting shares in "street name" may vote the shares only if the stockholder provides instructions on how to vote. Brokers will provide directions to stockholders on how to instruct the broker to vote the shares. Please note, however, that if the holder of record of your shares is your broker, bank or other nominee and you wish to vote at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

SHAREHOLDERS SHOULD NOT SEND THEIR STOCK CERTIFICATES WITH THEIR PROXY CARDS.

Solicitation of Proxies

In addition to soliciting proxies by mail, E.mergent's directors, officers, and employees may, if they do not receive extra compensation for doing so, solicit proxies personally or by telephone, email or fax.

THE MERGER AND RELATED TRANSACTIONS

This section of the proxy statement/prospectus and the following two sections entitled "Agreement and Plan of Merger" and "Ancillary Agreements" contain descriptions of the material aspects of the merger and related transactions, including the merger agreement and certain other agreements entered into in connection therewith. While we believe that the following description covers the material terms of the merger, the merger agreement and the related transactions and agreements, the description may not contain all of the information that is important to you. You should read carefully this entire document and the other documents that we refer to for a more complete understanding of the merger and the related transactions.

Background of the Merger

The terms of the merger agreement are the result of arm's-length negotiations between representatives of ClearOne and E.mergent. The following is a brief discussion of the background of these negotiations, the merger and related transactions:

During 2001, E.mergent's board of directors and senior management explored methods of enhancing shareholder value through internal growth in the videoconferencing channel, raising new capital, development of the audiovisual channel, the acquisition of technology or acquiring other conferencing services companies.

In July 2001, the CEO of E.mergent, Jim Hansen, and one of its directors approached a substantial industry partner concerning expanding its existing supplier relationship, forming a joint venture or having the partner acquire E.mergent due to the growing importance of the relationship. The companies conducted a video call on August 30, 2001, further discussing potential

synergies, and senior technical officers of both companies met to explore their respective plans. This party continued its discussions with E.mergent, signing a confidentiality agreement in October 2001 as described below.

In late August 2001, the CEO of E.mergent was approached by a director of a public company, not in the audio-visual industry, about the interest or willingness of E.mergent to consider being acquired. That discussion was very preliminary in nature and no further discussions with this company occurred.

During the first week of September 2001, the CEO of E.mergent discussed with E.mergent's board of directors the possibility of engaging in more serious business combination discussions with both companies. The discussions held with these companies regarding possible acquisitions of E.mergent suggested to the CEO and E.mergent's board that such interest in acquiring E.mergent increased the likelihood of maximizing shareholder value through an acquisition rather than internal growth. Following the events of September 11, 2001, management and the board of directors of E.mergent determined that it was in the best interests of shareholders to explore strategic alternatives, including the possible sale of E.mergent. The Board concluded this because it believed that the events of September 11, 2001 would further slow the economy and reduce the availability of investment capital, making it more difficult to maximize shareholder value through internal growth.

Thereafter, E.mergent interviewed several investment banking firms and on September 28, 2001, E.mergent engaged Goldsmith, Agio, Helms on an exclusive basis to explore various strategic alternatives for E.mergent, including the sale of E.mergent to a third-party. E.mergent selected Goldsmith, Agio, Helms because of their extensive experience representing selling companies of a size similar to E.mergent and the presence of their principal office in Minneapolis. In addition, one of E.mergent's directors was a managing director of Goldsmith, Agio, Helms at that time, and the E.mergent board was familiar with many of its principals. In connection with its engagement, Goldsmith, Agio, Helms prepared a Confidential Executive Summary and worked with E.mergent's senior management team to prepare a list of potential buyers.

In early to mid October 2001, Goldsmith, Agio, Helms contacted a select group of potential buyers regarding their interest in acquiring E.mergent. The parties that were approached were believed to have both strategic interest and the financial ability to consummate a transaction. As part of this effort, Robin Sheeley, the Chief Technical Officer of E.mergent, telephoned the CEO of ClearOne, Frances Flood, on October 10 and they discussed very briefly whether ClearOne had an interest in acquiring E.mergent. After that conversation, ClearOne asked Wedbush Morgan Securities, Inc. to initiate a preliminary review of E.mergent and to handle preliminary discussions about a potential acquisition with Goldsmith, Agio, Helms.

Six of the potential buyers Goldsmith, Agio, Helms contacted, including ClearOne, subsequently signed Confidentiality Agreements to permit the exchange of confidential information for the purpose of evaluating the merits of a

potential acquisition of E.mergent. ClearOne entered into its Confidentiality Agreement with E.mergent on October 10, 2001. Shortly after signing the Confidentiality Agreements, Goldsmith, Agio, Helms distributed the Confidential Executive Summary to the six potential buyers, including ClearOne. After further review of the opportunity, one of the other potential buyers declined to further participate in any discussions regarding an acquisition of E.mergent. After receiving the Confidential Executive Summary on or about October 12, ClearOne began its review of the summary and other publicly available information on

E.mergent.

On October 23, 2001, five of the potential buyers who executed Confidentiality Agreements, including ClearOne, met with E.mergent's senior management team at the Telcom Conference in Anaheim, California. Two of these buyers expressed interest in buying one of E.mergent's divisions rather than the entire company. E.mergent, with the advice of Goldsmith, Agio, Helms, decided to terminate further discussions with these two buyers as the sale of a division could adversely impact the future of the remaining parts of E.mergent's business and could also result in significant tax expenses to E.mergent.

The October 23, 2001 meeting between E.mergent and ClearOne was attended by: Frances Flood, Randy Wichinski, CFO of ClearOne, and Gene Kuntz, COO of ClearOne; Michael Gardner and Robert Cherry from Wedbush Morgan Securities; Jim Hansen, Robin Sheeley, and Jill Larson, the Vice President of Administration, from E.mergent; and Jerry Caruso and Roger Redmond from Goldsmith, Agio, Helms. The participants discussed some of the key characteristics of both companies and opportunities within the industry in general. A follow-up meeting for the first week of November was discussed and subsequently, over the next several days, scheduled for November 6.

Following the meetings in Anaheim, California in late October and early November 2001, E.mergent's senior management team and Goldsmith, Agio, Helms held additional meetings with three of the remaining potential buyers, including ClearOne on November 6. On that date, Frances Flood, Randy Wichinski, and Robert Cherry met with Jim Hansen, Robin Sheeley and Jill Larson at the E.mergent corporate offices and continued discussions regarding the potential benefits of the proposed acquisition, including a presentation by E.mergent covering the product and marketing opportunities possible from the proposed combination of the two companies.

In late November and early December, E.mergent and Goldsmith, Agio, Helms held subsequent meetings and video conference calls with the three remaining potential buyers, including ClearOne. Meetings and calls with ClearOne involved further discussions regarding E.mergent's business, recent financial results, and financial prospects, as well as aspects of the possible transaction, including possible transaction structures and price. Also during this period, E.mergent and ClearOne continued to exchange additional information about their respective companies. ClearOne continued its investigation of E.mergent. On December 4, 2001, at the request of ClearOne management, Wedbush Morgan Securities provided ClearOne with certain financial analyses regarding the potential acquisition of E.mergent.

On December 7, 2001, Wedbush Morgan Securities delivered to E.mergent, for discussion purposes only, a tentative proposal on behalf of ClearOne for the acquisition of E.mergent. On December 10, 2001, one other potential buyer made a proposal to purchase E.mergent. Because E.mergent had received specific proposals and was considering them, and to avoid concerns regarding premature disclosure of the proposed acquisition, on December 12, 2001, E.mergent issued a press release stating that it had engaged Goldsmith, Agio, Helms to explore strategic options.

Between December 12, 2001 and December 18, 2001, E.mergent focused its negotiations with ClearOne, as ClearOne appeared to represent the best potential transaction to E.mergent's shareholders. The negotiations with ClearOne involved further discussion of the structure of the transaction and the consideration offered by ClearOne. ClearOne's proposal was determined to be superior due to its strategic fit with E.mergent, ClearOne's desire to rapidly consummate a transaction, and because ClearOne's proposal was superior both in value and structure, due to the tax-free exchange of stock component to its proposal.

During this period of time, E.mergent also received an unsolicited

inquiry by an institutional investor interested in potentially investing $10 million for newly issued E.mergent stock with the proceeds to be used for internal growth. This proposal was verbal and nonspecific with regard to terms and conditions. None of the investment proceeds were to go to existing stockholders. E.mergent had undertaken no due diligence with respect to this potential investor and was on the verge of signing an exclusivity agreement with ClearOne. For these reasons, E.mergent decided not to proceed with further discussions with this institutional investor until it determined whether or not a satisfactory transaction could be negotiated with ClearOne.

On December 18, 2001, E.mergent entered into an exclusivity agreement with ClearOne. Pursuant to this agreement, E.mergent agreed to cease all acquisition negotiations with all other parties and to negotiate exclusively with ClearOne for 30 days. Shortly thereafter, ClearOne and E.mergent began negotiation of the specific terms of a transaction and the definitive merger agreement and exchanged drafts of the proposed definitive agreement.

On December 27, 2001, Randy Wichinski met with Jim Hansen and Jill Larson at E.mergent corporate headquarters in Minneapolis to initiate a formal due diligence process. On December 28, 2001, the ClearOne board of directors met in person and by telephone with members of ClearOne management and representatives of Jones Waldo Holbrook & McDonough, P.C., ClearOne's legal counsel, to discuss the status of the proposed transaction with E.mergent and ClearOne management's due diligence findings to date.

On January 3 and 4, 2002, members of ClearOne's management and representatives of ClearOne's independent auditors, Ernst & Young LLP, a representative of Jones Waldo, Holbrook & McDonough, P.C. and a representative from Wedbush Morgan Securities visited E.mergent's offices and also met with E.mergent's independent auditors, Deloitte & Touche LLP, to conduct business, financial, accounting tax, and legal due diligence and participate in discussions with E.mergent management, E.mergent's legal counsel and its independent auditors on various issues.

Between January 4 and January 18, ClearOne continued its investigation and analysis of E.mergent, requesting additional information from E.mergent. Also during this period, ClearOne and E.mergent continued negotiation of the definitive merger agreement.

On January 17, 2002, E.mergent and ClearOne essentially completed their negotiations with respect to the merger agreement. On that date, the ClearOne board of directors met telephonically, together with representatives of Jones Waldo Holbrook & McDonough P.C. and Robert Cherry of Wedbush Morgan Securities, to informally discuss in detail the terms and negotiations of the definitive merger agreement and the final results of ClearOne management's due diligence investigation.

On January 18, 2002, E.mergent's board of directors conducted a meeting at which, among other things, Goldsmith, Agio, Helms delivered its opinion as to the fairness, from a financial point of view, of the proposed merger consideration. The board of directors approved the merger agreement with ClearOne. On January 21, 2002, ClearOne's board of directors held a meeting attended by ClearOne management and legal counsel from Jones Waldo Holbrook & McDonough. After reviewing in further detail the proposed acquisition and the terms and conditions of the merger agreement, the ClearOne board of directors approved the merger agreement with E.mergent. On January 21, 2002, ClearOne and E.mergent executed the Merger Agreement and certain E.mergent shareholders executed the related Voting Agreement, Irrevocable Proxies and Affiliate

Agreements. ClearOne and E.mergent issued separate press releases early in the morning on January 22, 2002 announcing execution of the merger agreement.

E.mergent's Reasons for the Merger

The board of directors of E.mergent has determined that the terms of the merger and the merger agreement are fair to, and in the best interests of, E.mergent and its stockholders. In reaching its decision, E.mergent 's board of directors consulted with senior management and E.mergent 's financial and legal advisors and considered the material factors set forth below in reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, and to recommend that E.mergent 's stockholders vote FOR adoption and approval of the merger agreement and approval of the merger:

- the merger was viewed as a quicker and more certain method to enhance shareholder value than E.mergent's strategic alternatives, each of which involved a considerable degree of uncertainty of success, including raising additional capital, acquisition of E.mergent by another party, a merger of equals or a joint venture with another party;

- the difficulties, due to E.mergent's relatively small size and limited resources, in independently responding successfully to pervading competitive factors in the audio and videoconferencing industry, including the cost of developing sales channels, pricing competition and the need to develop complete product lines in order to compete;

- the overall strategic fit between E.mergent and ClearOne in view of their respective product lines, markets, and distribution channels and the potential synergies, efficiencies, and cost savings that could be realized through a combination of E.mergent and ClearOne;

- the opportunity for E.mergent shareholders to continue equity participation in a larger, more diversified audio and videoconferencing company at a premium over market prices for E.mergent common stock prior to announcement of the merger;

- the financial advice provided to E.mergent by Goldsmith, Agio, Helms and its opinion that the consideration to be received by E.mergent shareholders in the merger is fair from a financial point of view; o the advice of its accounting and legal advisors that the merger is expected to be a partially tax-free and partially taxable transaction for federal income tax purposes to E.mergent shareholders receiving ClearOne common stock; and

- the terms and conditions of the merger agreement, which were viewed to be fair to E.mergent and its shareholders.

E.mergent's board of directors also identified and considered a number of uncertainties and risks in its deliberations concerning the merger, including the following:

- the risk that the potential benefits sought in the merger may not be fully realized, if at all;

- the risk of management and employee disruption as a result of the merger, including the risk that key personnel may choose not to remain employed with the combined company; and

- other applicable risks associated with the businesses of E.mergent and ClearOne described in this proxy statement/prospectus.

The foregoing discussion of the information and factors considered by E.mergent 's board of directors includes all material factors considered by the E.mergent board of directors. In view of the variety of factors considered in connection with its evaluation of the merger, E.mergent 's board of directors did not find it practicable to, and did not, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have given different weights to different factors.

Opinion of E.mergent's Financial Advisor

Goldsmith, Agio, Helms has acted as E.mergent's exclusive financial advisor in connection with the proposed merger. E.mergent selected Goldsmith, Agio, Helms based on Goldsmith, Agio, Helms' experience, expertise, and reputation. Goldsmith, Agio, Helms is a nationally recognized investment banking firm which, as a customary part of its business, is engaged in the valuation of businesses and securities in connection with mergers and acquisitions, private placements, and valuations for corporate and other purposes.

In connection with Goldsmith, Agio, Helms' engagement, E.mergent requested that Goldsmith, Agio, Helms evaluate the fairness, from a financial point of view, to the holders of E.mergent common stock of the merger consideration. On January 18, 2002, at a meeting of the E.mergent board of directors held to evaluate the merger, Goldsmith, Agio, Helms delivered to the E.mergent board of directors an oral opinion, which was confirmed thereafter by delivery of a written opinion dated January 18, 2002, to the effect that, as of such date, and based upon and subject to the assumptions, procedures, and limitations set forth therein, the proposed merger consideration was fair, from a financial point of view, to the holders of E.mergent common stock.

The full text of Goldsmith, Agio, Helms' written opinion, dated January 18, 2002, to the E.mergent board of directors, which sets forth the procedures followed, assumptions made, matters considered, and limitations on the review undertaken, is attached to this document as Annex C and is incorporated into this document by reference. You are urged to read the Goldsmith, Agio, Helms opinion in its entirety. The description of the Goldsmith, Agio, Helms opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion. Goldsmith, Agio, Helms' opinion is rendered for the benefit and use of the board of directors of E.mergent in connection with the board of directors' consideration of the merger, relates only to the fairness of the merger consideration from a financial point of view, does not address any other aspect of the merger or any related transaction and does not constitute a recommendation to any holder of E.mergent common stock with respect to any matters, including the shareholder vote, relating to the proposed merger.

In arriving at its opinion, Goldsmith, Agio, Helms undertook such reviews, analyses, and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Goldsmith, Agio, Helms:

- reviewed the latest draft of the merger agreement made available to Goldsmith, Agio, Helms, dated January 17, 2002, and assumed that the final form of the merger agreement would not vary in any material respect from the January 17th draft, and that the terms of the consideration to be paid to the holders of E.mergent common stock will

be identical to those set forth in the January 17th draft;

- reviewed certain financial and other information that is publicly available relating to E.mergent;
- reviewed certain financial and other information that is publicly available relating to ClearOne;
- reviewed certain internal financial and operating data of E.mergent that was made available to Goldsmith, Agio, Helms by E.mergent;
- discussed with senior management of E.mergent the financial condition, operating results, business outlook and prospects of E.mergent;
- discussed with senior management of ClearOne the present financial condition, operating results, and near term business outlook of ClearOne;
- reviewed E.mergent's and ClearOne's historical common stock price trends;
- analyzed the stock price premiums paid in recent mergers and acquisitions of publicly traded companies with transaction values ranging from $10 to $50 million, and compared those premiums to the premium implied by the consideration in the proposed merger;
- performed a discounted cash flow analysis of E.mergent's projected financial performance as a stand-alone entity, based on financial projections that E.mergent management provided to Goldsmith, Agio, Helms;
- reviewed the valuations of publicly traded companies that Goldsmith, Agio, Helms deemed generally comparable (for such purposes) to E.mergent; and
- reviewed the financial terms of certain transactions Goldsmith, Agio, Helms deemed comparable to the merger that recently have been effected.

In arriving at its opinion, Goldsmith, Agio, Helms relied upon and assumed, without independent verification, the accuracy and completeness of the financial statements and other information furnished by, or publicly available relating to, E.mergent or ClearOne, or otherwise made available to Goldsmith, Agio, Helms. Goldsmith, Agio, Helms also relied upon the representations and warranties of E.mergent and ClearOne contained in the merger agreement and have assumed, without independent verification, that they are true and correct. Goldsmith, Agio, Helms was not engaged to, and did not attempt to, or assume responsibility to, verify independently such information. Goldsmith, Agio, Helms further relied upon assurances by E.mergent that the information provided to Goldsmith, Agio, Helms had a reasonable basis, and with respect to projections and other business outlook information, reflected the best then-currently available estimates and judgments of future financial performance of E.mergent, and that E.mergent was not aware of any information or fact that would make the information provided to Goldsmith, Agio, Helms incomplete or misleading. Goldsmith, Agio, Helms also assumed that E.mergent and ClearOne each would perform all of the covenants and agreements to be performed by it under the merger agreement, that the conditions to the merger set forth in the merger agreement would be satisfied and that the merger would be consummated on a timely basis in the manner contemplated by the merger agreement. Goldsmith, Agio, Helms also assumed that, once consummated, the merger would qualify as a partially tax-free reorganization for federal income tax purposes.

In arriving at its opinion, Goldsmith, Agio, Helms did not perform any

appraisals or valuations of specific assets or liabilities of E.mergent, nor was Goldsmith, Agio, Helms furnished with any such appraisals. The Goldsmith, Agio, Helms opinion is necessarily based upon the information available to Goldsmith, Agio, Helms and the facts and circumstances as they existed and are subject to evaluation on the date of the opinion, including the financial, economic, market and other conditions as in effect on the date of the opinion; events and conditions occurring or existing after the date of the opinion could materially affect the assumptions used in preparing the opinion.

Goldsmith, Agio, Helms did not analyze the tax consequences of the merger, including tax consequences to any holder of E.mergent common stock. Goldsmith, Agio, Helms was not asked to, nor did it, express any opinion as to the relative merits of the merger as compared to any alternative business strategies that might exist for E.mergent, the effect of any other transaction

in which E.mergent might engage, or the form of the merger agreement or the terms contained therein. Furthermore, Goldsmith, Agio, Helms expressed no opinion as to the prices at which either E.mergent or ClearOne stock may trade following the date of its opinion. Goldsmith, Agio, Helms' opinion was rendered as of the date thereof, and Goldsmith, Agio, Helms did not express any opinion as to whether, on or about the effective time of the merger, the merger consideration would be fair, from a financial point of view, to E.mergent's shareholders.

The Goldsmith, Agio, Helms analyses set forth below are a complete description of the analyses performed by Goldsmith, Agio, Helms in arriving at its opinion. In arriving at its opinion, Goldsmith, Agio, Helms did not attribute any particular weight to any analysis or factor considered by it, but rather considered the results of its analyses as a whole. Accordingly, Goldsmith, Agio, Helms believes that its analyses and the summary set forth below must be considered as a whole and that selecting portions of its analyses, or of the summary, without considering all factors and analyses, could create an incomplete view of the processes underlying its analyses.

The analyses performed by Goldsmith, Agio, Helms (and summarized below) are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Additionally, analyses relating to the values of businesses do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Goldsmith, Agio, Helms' analyses and estimates are inherently subject to substantial uncertainty.

The type and amount of merger consideration payable pursuant to the merger was determined through negotiation between E.mergent and ClearOne. Although Goldsmith, Agio, Helms provided financial advice to E.mergent during the course of the negotiations, Goldsmith, Agio, Helms did not recommend the amount of the merger consideration or the payment or other terms thereof, and the decision to enter into the merger agreement was solely that of E.mergent's board of directors. Goldsmith, Agio, Helms' opinion as to the fairness of the merger consideration from a financial point of view was only one of many factors considered by the board of directors in making their determination to recommend adoption of the merger agreement, and should be not be viewed as determinative of the views of the E.mergent board of directors or management with respect to the proposed merger or the merger consideration payable in the merger.

The following is a summary of the material financial analyses underlying Goldsmith, Agio, Helms' opinion dated January 18, 2002, delivered to the E.mergent board of directors in connection with the proposed merger. On that

date, the closing prices of ClearOne and E.mergent common stock were $17.15 and $2.96, respectively.

Discounted Cash Flow Analysis. Goldsmith, Agio, Helms performed a discounted cash flow analysis based on the projected five-year financial performance of E.mergent provided to Goldsmith, Agio, Helms by E.mergent management. E.mergent's weighted average cost of capital for purposes of this analysis was calculated to be approximately 19.2 %. Terminal values were calculated by applying alternative perpetual growth rates of 3.0 % to 4.5 % to the projected free cash flow in fiscal year 2006. Based on this analysis, E.mergent's implied per share equity values ranged from approximately $2.02 to $2.98. Discounted cash flow analysis is a widely-used valuation methodology, but it relies on numerous assumptions, including assets and earnings growth rates, terminal values, and discount rates.

Analysis of Publicly Traded Comparable Companies. Goldsmith, Agio, Helms analyzed selected historical financial, operating, and stock market data of E.mergent, ClearOne, and other publicly traded companies that Goldsmith, Agio, Helms deemed to be comparable to E.mergent for this analysis. The five companies (collectively, the "Comparable Companies") deemed by Goldsmith, Agio, Helms to be reasonably comparable to E.mergent in terms of products and services offered, markets served, and business prospects were:

- InFocus Corporation;
- Inter-Tel Inc.;
- MCSi, Inc.;
- Forgent Corporation (formerly VTEL Corporation); and
- Wire One Technologies, Inc.

Although E.mergent was included in the analysis for reference purposes, E.mergent was not included in any calculation of implied multiples for purposes of Goldsmith, Agio, Helms' analysis.

No company utilized in the Comparable Company Analysis is identical to E.mergent. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics of E.mergent and other factors that could affect the public trading value of the comparable companies to which they are being compared.

Goldsmith, Agio, Helms examined certain publicly available financial data of the Comparable Companies, including the ratio of enterprise value (equity value plus total debt, including preferred stock, less cash and cash equivalents) to latest-12-month ("LTM") revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA"), and earnings before interest and taxes ("EBIT").

This analysis showed that the Comparable Companies had a multiple represented by the ratio of enterprise value to LTM revenue ranging from 0.7x to 2.4x, with a mean of 1.4x and a median of 1.1x; a multiple represented by the ratio of enterprise value to LTM EBIT ranging from 14.0x to 19.3x, with a mean of 15.9x and a median of 14.5x; and a multiple represented by the ratio of enterprise value to LTM EBITDA ranging from 11.0x to 12.7x, with a mean of 11.7x and a median of 11.5x.

By applying the median ratios derived from the Comparable Company Analysis to E.mergent's estimated operating results for its LTM results ending September 30, 2001, E.mergent's implied range of equity value per share was calculated to be approximately $2.45 to $3.96.

Analysis of Selected Merger and Acquisition Transactions. Goldsmith, Agio, Helms compared the proposed merger with selected comparable merger and acquisition transactions (the "Comparable Transaction Analysis"). No transaction analyzed in the Comparable Transaction Analysis is identical to the merger. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of E.mergent and other factors that could affect the acquisition value of the companies to which E.mergent is being compared.

Goldsmith, Agio, Helms performed an analysis of 28 merger and acquisition transactions involving companies operating in the audio and video conferencing services and equipment and other related markets that occurred between November 1995 and January 2002. From the 28, Goldsmith, Agio, Helms selected eight that were deemed to be closely relevant.

For the eight merger and acquisition transactions analyzed, the multiple represented by the ratio of enterprise value to LTM revenue ranged from 0.5x to 3.0x, with a mean of 1.5x and a median of 0.8x. The multiple represented by the ratio of enterprise value to LTM EBITDA was 8.7x. By applying the median ratios derived from the Comparable Transaction Analysis to E.mergent's estimated operating results for the LTM results ending September 30, 2001, E.mergent's range of implied equity value per share was calculated to be approximately $2.27 to $2.86.

Acquisition Premiums Analysis. Goldsmith, Agio, Helms analyzed the premiums paid for approximately 150 publicly disclosed mergers and acquisitions of companies with enterprise values ranging from $10 to $50 million executed between January 2000 and December 2001. The mean and the median premium paid over the targets' stock prices 30 business days before the announcement date, five business days before the announcement date, and one business day before the announcement date were 50.4 % and 46.5 %, 44.9 % and 39.3 %, and 39.5 % and 33.1 %, respectively. The range on these transactions vary from negative premiums to premiums in excess of 130 %.

The per share price to be paid to E.mergent shareholders by ClearOne of approximately $3.47 (calculated based on ClearOne's share price as of the close of trading on January 16, 2002) represents a premium of 10.2 % over E.mergent's share price as of the close of trading on January 16, 2002, and a premium of 21.3% over E.mergent's share price as of the close of trading on December 11, 2001 (the date immediately prior to the date of the press release announcing the engagement of Goldsmith, Agio, Helms by E.mergent).

Common Stock Trading History. Goldsmith, Agio, Helms' analysis of E.mergent's and ClearOne's common stock trading history consisted of historical analyses of the closing prices and volumes of E.mergent and ClearOne and the relative performance of E.mergent, ClearOne, the Dow Jones Industrial Average, and the S&P 500 Index. Goldsmith, Agio, Helms' analysis considered the high and low closing prices for E.mergent and ClearOne over the twelve-month period ended January 16, 2002. On December 14, 2001, E.mergent's common stock reached a twelve-month high closing price per share of $3.29 and on September 27, 2001, reached a twelve-month low closing price per share of $1.10. On October 10, 2001, ClearOne's common stock reached a twelve-month high closing price per share of $21.75 and on April 3, 2001, experienced a twelve-month low closing price per share of $9.63.

Goldsmith, Agio, Helms also analyzed the volume of shares traded at various prices. For E.mergent's common stock, the volume-weighted average price per share for the twelve months ending on January 16, 2002 was $2.15. For ClearOne, the volume-weighted average price per share for the twelve months ending January 16, 2002 was $17.25.

Miscellaneous. E.mergent has agreed to pay Goldsmith, Agio, Helms a fee for its financial advisory services in connection with the proposed merger based upon a percentage of the transaction value of the merger calculated upon the closing of the merger. Assuming the closing sales price of the ClearOne common stock is $16.36 on the day of the merger (which was the closing sales price on April 4, 2002), the fee payable to Goldsmith, Agio, Helms upon consummation of the merger would be approximately $739,114. Goldsmith, Agio, Helms received a non-contingent fee of $100,000 upon delivery to the E.mergent board of directors of its fairness opinion, which amount will be credited against the total fee to be paid by E.mergent to Goldsmith, Agio, Helms upon the closing of the merger. Goldsmith, Agio, Helms also received a one-time retainer of $50,000 following its engagement by E.mergent. E.mergent has agreed to reimburse Goldsmith, Agio, Helms for reasonable out-of-pocket expenses (up to a maximum of $10,000), including, but not limited to, fees and expenses of counsel, and to indemnify Goldsmith, Agio, Helms against liabilities and expenses arising out of its engagement. Roger Redmond, a current director or E.mergent, was employed by Goldsmith, Agio, Helms from June 1999 to December 2001, most recently as a Managing Director.

Recommendation of E.mergent's Board of Directors

The E.mergent board of directors believes that the merger is advisable and in the best interests of E.mergent and its stockholders. The E.mergent board, therefore, recommends that its stockholders vote FOR approval of the merger.

See "The Merger and Related Transactions - Background of the Merger," "E.mergent's Reasons for the Merger," "Opinion of E.mergent's Financial Advisor," and "Material U.S. Federal Income Tax Consequences."

Interests of E.mergent's Directors and Executive Officers in the Merger

When you are considering the recommendation of E.mergent's board of directors with respect to approving the merger and the merger agreement, you should be aware that some of the directors and executive officers of E.mergent have interests in the merger and participate in arrangements that are different from, or are in addition to, those of E.mergent stockholders generally. The E.mergent board of directors was aware of these interests and considered them, among other matters, when it approved the merger and the merger agreement. These interests include the following:

Options and Accelerated Vesting of Options

The following directors and executive officers of E.mergent hold the total number of stock options indicated: James Hansen, Chairman and CEO, 130,000; Richard Craven, Director, 28,000; Robin Sheeley, Chief Technical Officer and Director, 35,000; Peter McDonnell, Director, 22,000; Roger Redmond, Director, 22,000; and Jill Larson, Vice President-Administration, 105,000. The vesting restrictions on all outstanding options held by directors and executive officers to purchase E.mergent stock will accelerate, thereby causing such stock options to become fully vested and exercisable immediately prior to the closing

of the merger. The aggregate number of shares of E.mergent common stock issuable upon the exercise of options held by directors and executive officers, that would become vested upon the merger is 13,333 shares held as follows: 10,000 shares held by Mr. Hansen at an exercise price of $3.37 per share, and 3,333 shares held by Ms. Larson at an exercise price of $1.47 per share. Pursuant to the terms of the merger agreement, all options to purchase E.mergent common stock will be assumed by ClearOne in the merger and converted into options to purchase ClearOne common stock. For further discussion about the treatment of E.mergent options in the merger, see the section entitled "Agreement and Plan of Merger - Stock Options" on page 48 of this document.

Executive Employment Agreements

ClearOne and E.mergent expect that upon the completion of the merger, Robin Sheeley, a director and the Chief Technical Officer of E.mergent, will become ClearOne's Chief Technology Officer. Based on discussions between Mr. Sheeley and ClearOne, they anticipate his employment with ClearOne will be on terms substantially similar to those of his current employment with E.mergent. The current executive employment agreement with E.mergent continues through August 2, 2002, and provides that it is to be automatically extended each year for additional one-year periods, unless E.mergent gives prior notice of non-renewal. His executive employment agreement provides that if, within six months following a merger, Mr. Sheeley's employment is terminated for any

reason, other than for cause, or he voluntarily terminates his employment, then Mr. Sheeley is entitled to a severance payment that will be equal to the sum of his current annual base salary for twelve months, plus the last annual bonus from E.mergent. The severance payment generally would be made in equal installments over twelve months.

As of January 1, 2000, E.mergent entered into an executive employment agreement with James Hansen, E.mergent's Chairman, Chief Executive Officer, President and Treasurer. The executive employment agreement continues through January 1, 2003, and provides that it is to be automatically extended each year for additional one-year periods, unless E.mergent gives prior notice of non-renewal. His executive employment agreement provides that if, within six months following a merger, Mr. Hansen's employment is terminated for any reason, other than for cause, or if his job responsibilities or authority are substantially reduced, then Mr. Hansen is entitled to a severance payment that will be equal to the sum of his current annual base salary for twelve months, plus the last annual bonus paid by E.mergent. The severance payment generally would be made in equal installments over twelve months.

On January 1, 1998, E.mergent entered into an employment agreement with Jill Larson, E.mergent's Vice President-Administration and Corporate Secretary. The executive employment agreement continued through January 1, 2002, and provides that it is to be automatically extended each year for additional one-year periods, unless E.mergent gives prior notice of non-renewal. Such notice was not given by E.mergent during 2001, and Ms. Larson's employment agreement has been extended to January 1, 2003. Her executive employment agreement provides that if, within six months following a merger, Ms. Larson's employment is terminated for any reason, other than for cause, or she voluntarily terminates her employment, then Ms. Larson is entitled to a severance payment that will be equal to the sum of her current annual base salary for twelve months, plus the last annual bonus from E.mergent. The severance payment generally would be made in equal installments over twelve months.

In the event that the employment of the executive officers is terminated immediately after the merger (as is currently anticipated for Mr. Hansen and Ms. Larson but not for Mr. Sheeley), it is estimated that, based on specific assumptions, the severance payments payable under these agreements, plus the value of the related benefits, would be approximately $189,000 to Mr. Hansen, $120,000 to Ms. Larson, and $160,000 to Mr. Sheeley.

Indemnification and Directors and Officers Insurance

E.mergent officers and directors are entitled to continuing indemnification against some liabilities by virtue of provisions contained in E.mergent's certificate of incorporation, and bylaws. In addition, the executive officers have continuing coverage by E.mergent's directors and officers liability insurance for acts arising during their tenure with E.mergent

Consideration of the Merger by Clear One's Board of Directors and Reasons for the Merger

The ClearOne board of directors approved the merger agreement and the merger with E.mergent because it believes that the combined company has the potential to become a stronger conferencing products and services company in a growing and competitive market. In particular, the ClearOne board of directors believes that the acquisition will help position ClearOne to achieve its long-term operating and financial objectives, and reinforce its strategy of providing a comprehensive suite of conferencing products and services. In addition, the ClearOne board of directors believes that the merger will allow the combined company the opportunity to realize the following anticipated benefits of the merger:

- The ability to expand and enhance certain product lines of the combined company. For example, ClearOne's Gentner division plans to enhance its V-There(TM) videoconferencing products with a full line of other patented video equipment, from E.mergent's VideoLabs division.

- The ability to utilize the other company's existing sales channels. For example, ClearOne will have the opportunity to sell ClearOne's line of video and audio products into E.mergent's established videoconferencing sales channel. In turn, ClearOne intends to use its existing sales channels to sell VideoLabs' products.

- The ability to expand ClearOne's best-in-class technical team, which assists its dealer channel with service, support, and training, with E.mergent's Acoustic Communications Systems(TM) division, and which is anticipated to function as installation support to the existing dealer network of ClearOne's Gentner division.

- The ability to bring ClearOne products and services, as well as new products and services that the combined company has the opportunity to produce, to E.mergent's customer base that currently uses other vendors for conferencing products and services.

- The ability to expand ClearOne's management team through the addition of E.mergent's Chief Technical Officer Robin Sheeley, who will join ClearOne as Chief Technology Officer with responsibility for all research and product development.

- The ability to have an expanded geographic representation with additional locations in Chicago, Illinois; Minneapolis, Minnesota; and

Des Moines, Iowa.

- The ability to broaden ClearOne's international distribution and expertise by gaining E.mergent's experience and distribution in international markets.

- The ability to realize benefits from combining each company's proprietary intellectual property.

The ClearOne board of directors also reviewed with its financial and legal advisors the specific terms and conditions of the merger agreement, including the representations, warranties and covenants and the conditions to each party's obligations to complete the merger. The ClearOne board of directors also received reports from its management and financial and legal advisors as to the results of the due diligence investigation of E.mergent, which was performed with the assistance of its financial and legal advisors, and determined that these reports did not disclose information that would preclude its approval of the merger. The ClearOne board of directors also considered the following risks and additional factors relating to the merger:

- the risk that the benefits sought in the merger would not be fully achieved;

- the risk that the merger would not be consummated;

- possible post-merger resignations of E.mergent's management;

- the risk that the stockholders of E.mergent would not approve of the merger; and

- the other applicable risks described in this proxy statement/prospectus under "Risk Factors."

The foregoing discussion of the factors considered by ClearOne's board of directors, while not exhaustive, includes the material factors considered by its board of directors. In view of the variety of factors considered in connection with its evaluation of the merger, ClearOne's board of directors did not find it practicable to, and did not, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have given different weights to different factors. After taking into account these and other factors, the ClearOne board of directors unanimously determined that the merger agreement and the merger were in the best interests of ClearOne and its stockholders and that ClearOne should enter into the merger agreement and complete the merger.

Other Prior Contacts Between ClearOne and E.mergent

Prior to the negotiations leading to the merger agreement described in this proxy statement/prospectus, E.mergent served as a dealer for some of ClearOne's products pursuant to an August 1998 room systems product dealer agreement between ClearOne and Acoustic Communications System. The agreement is a standard dealer agreement used by ClearOne for its other dealers, containing usual and customary responsibilities and conditions. During calendar year 2001, E.mergent purchased approximately $173,974 of products from ClearOne pursuant to the dealer agreement.

Restrictions on Resale of ClearOne Common Stock

The shares of ClearOne common stock to be issued in connection with the merger have been registered under the Securities Act and will be freely transferable under the Securities Act, except for shares of ClearOne common stock issued to any person who is deemed to be an "affiliate" of either ClearOne

or E.mergent immediately prior to the consummation of the merger. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control of either of ClearOne or E.mergent and may include some of E.mergent's officers and directors, as well as E.mergent's principal stockholders. Affiliates may not sell their shares of ClearOne common stock acquired in connection with the merger except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

ClearOne's registration statement on Form S-4, of which this document forms a part, does not cover the resale of shares of ClearOne common stock to be received by any person in the merger. This proxy statement/prospectus does not cover any resale of ClearOne common stock that you receive in the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any such resale.

Accounting Treatment of the Merger

ClearOne intends to account for the merger using the "purchase" method. After the merger, the results of operations of E.mergent will be included in the consolidated financial statements of ClearOne.

Material U.S. Federal Income Tax Consequences

In the opinion of Fredrikson & Byron, P.A., counsel to E.mergent, and Jones, Waldo, Holbrook & McDonough, P.C., counsel to ClearOne, the following are the material U. S. federal income tax consequences of the merger, assuming that the merger is effected as described in the merger agreement and this proxy statement/prospectus. This discussion does not address all U.S. federal income tax considerations that may be relevant to certain E.mergent shareholders in light of their particular circumstances, or to shareholders subject to special rules under U. S. federal income tax law, including dealers in securities, banks, insurance companies, shareholders who do not hold their E.mergent common stock as capital assets, foreign persons, tax-exempt entities, or persons who are subject to the alternative minimum tax provisions of the Internal Revenue Code . Furthermore, it does not address E.mergent shareholders who acquired their shares in connection with stock options or stock purchase plans or in other compensatory transactions. It also does not address the tax consequences of the merger under foreign, state, or local tax laws or the tax consequences of transactions effectuated prior or subsequent to or concurrently with the merger, whether or not such transactions are in connection with the merger, including, without limitation, transactions in which E.mergent common stock is acquired or ClearOne common stock is disposed of.

Accordingly, E.mergent shareholders are urged to consult their own tax advisors as to the consequences of the merger, including the applicable federal, state, local, and foreign tax consequences to them in their particular circumstances.

ClearOne's and E.mergent's respective tax counsels have agreed to

provide tax opinions that the merger will qualify as a "reorganization" under Section 368(a) of the Internal Revenue Code of 1986, as amended. The tax opinions are subject to certain assumptions, limitations and qualifications, and are based upon the truth and accuracy of certain factual representations of ClearOne, Tundra and E.mergent.

Neither E.mergent nor ClearOne will request a ruling from the Internal Revenue Service with regard to any of the U. S. federal income tax consequences of the merger. The tax opinions are based on and subject to certain assumptions and limitations as well as factual representations received from E.mergent and ClearOne, as discussed below. An opinion of counsel has no binding effect on the Internal Revenue Service or official status of any kind. No assurance can be given that contrary positions may not be taken by the Internal Revenue Service or a court considering the issues.

In accordance with the tax opinions, and subject to the assumptions, limitations, and qualifications described in the tax opinions and in this discussion, qualification of the merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code will result in the following material U.S. federal income tax consequences:

- To the extent that you receive ClearOne common stock in exchange for E.mergent common stock, you will not recognize capital gain or loss, but you may recognize dividend income or capital gains with respect to the cash payment that you receive in exchange for each share of E.mergent common stock. The amount of your taxable gain will be calculated as follows: You will need to determine the total value of ClearOne stock and cash that you receive. This amount must be compared to your adjusted basis in your E.mergent stock. The excess of the total value of ClearOne stock and cash received over your adjusted basis in your E.mergent stock is your "realized gain." If the amount of cash you receive is less than your "realized gain," your taxable gain will be limited to the amount of cash received. If the cash received exceeds your "realized gain," then

the amount of the "realized gain" will be your taxable gain. If the total value of ClearOne stock and cash received is less than your adjusted basis in E.mergent stock, you are not allowed to recognize a loss for tax reporting purposes.

- To the extent that you receive cash in exchange for E.mergent common stock, the gain you recognize will be capital gain unless the exchange "has the effect of the distribution of a dividend" in which case you would generally have ordinary income. In order to determine whether the exchange has the effect of the distribution of a dividend, your receipt of cash should be analyzed as if, first, you received solely ClearOne common stock in exchange for your E.mergent common stock and then the cash paid reduces your ClearOne common stock, in a taxable redemption, to the number of shares of ClearOne stock that you actually received. The deemed redemption will be treated as a sale or exchange of the shares and not the distribution of a dividend only if the deemed redemption of your ClearOne shares satisfies one or more of the provisions of Section 302(b) of the Internal Revenue Code. This determination is made separately for each shareholder of E.mergent. Assuming that the redemption satisfies the requirements of one or more of the provisions of Section 302(b) of the Internal Revenue Code and you have held your E.mergent shares for more than 12 months at the time of the merger, any gain on such redemption will be a long-term capital gain.

- If the deemed redemption does not satisfy one or more of the provisions of Section 302(b) of the Internal Revenue Code, it will be treated as a distribution that is subject to Section 301 of the Internal Revenue Code. In such case, the cash proceeds will be treated first as a dividend (taxed as ordinary income) to the extent of E.mergent's accumulated earnings and profits at the time of the merger (on a pro rata basis taking into account other Section 301 distributions made by E.mergent during the year, including other deemed redemptions resulting from the merger that are treated as Section 301 distributions). To the extent the cash received exceeds your ratable share of accumulated earnings and profits, the excess will be treated as a capital gain.

- The aggregate tax basis of the ClearOne common stock received by you in the merger (including any fractional shares of ClearOne common stock deemed received and exchanged for cash), will be equal to the aggregate adjusted tax basis of the E.mergent stock exchanged in the merger, reduced by any amount of cash that you receive in the merger for the E.mergent common stock surrendered, and increased by the amount of cash treated as a dividend and the amount recognized as a capital gain.

- The holding period of the ClearOne common stock received by you in the merger will include the holding period of the E.mergent common stock surrendered in exchange for ClearOne common stock.

- ClearOne and E.mergent will not recognize gain or loss solely as a result of the merger.

If, however, the merger is completed at a time when the aggregate value of the ClearOne common stock that is received by the E.mergent shareholders is less than the aggregate value of the cash received by E.mergent shareholders in the merger, the merger may not qualify as a reorganization under Section 368(a) of the Internal Revenue Code. This would occur if the value of the ClearOne stock declined to a price below $10.25 per share at the time of the merger. Additionally, the Internal Revenue Service could challenge the reorganization status of the merger. If the merger does not qualify as a reorganization under Section 368(a), for U.S. federal income tax purposes, gain or loss would generally be recognized equal to the difference between the value of the cash and stock received and the tax basis for the E.mergent shares that were exchanged. Any gain or loss will be a capital gain or loss (assuming shares are held as a capital asset). Any such capital gain or loss will be long-term if, as of the date of exchange, shares were held for more than one year, or will be short-term if, as of such date, shares were held for one year or less. An E.mergent shareholder's aggregate basis in the ClearOne common stock so received would equal its fair market value as of the closing of the merger and the holding period for such stock would begin the day after the closing of the merger.

Limitations on Opinions and Discussion. As noted earlier, the tax opinions are subject to certain assumptions, relating to, among other things, the truth and accuracy of certain representations made by E.mergent and ClearOne, the consummation of the merger in accordance with the terms of the merger agreement and applicable state law and completion of the merger at a time when the aggregate value of the ClearOne common stock that is received by the E.mergent shareholders is greater than the aggregate value of the cash received by E.mergent shareholders. Furthermore, the tax opinions will not bind the Internal Revenue Service and, therefore, the Internal Revenue Service is not precluded from asserting a contrary position. The tax opinions and this discussion are based on currently existing provisions of the Internal Revenue Code, existing and proposed Treasury regulations, and current administrative rulings and court decisions. There can be no assurance that future legislative,

judicial, or administrative changes or interpretations will not adversely affect the accuracy of the tax opinions or of the statements and conclusions set forth herein. Any such changes or interpretations could be applied retroactively and could affect the tax consequences of the merger.

Governmental Approvals and Regulatory Requirements

Under the merger agreement, we have agreed to use commercially reasonable efforts to obtain all required governmental approvals and fulfill all applicable regulatory requirements. We are not aware, however, of any material federal or state regulatory requirements or approvals required for completion of the merger, other than filing a certificate of merger in Delaware at or before the effective time of the merger.

Dissenters' Rights of Appraisal

E.mergent stockholders will be entitled to appraisal rights as a result of the merger under Section 262 of the Delaware General Corporate Law. Attached is the full text of Section 262 of the Delaware General Corporate Law as Annex D to this proxy statement/prospectus. The following summary of the provisions of Section 262 of the Delaware General Corporation Law is not intended to be a complete statement of its provisions and is qualified in its entirety by reference to the full text of that law, which is incorporated by reference.

If the merger is completed, and a holder of E.mergent common stock (1) delivers to E.mergent, prior to the special meeting vote on the merger, written notice of an intention to exercise rights to appraisal of shares, (2) does not vote in favor of the merger and (3) follows the procedures set forth in Section 262, the holder will be entitled to be paid the fair value of the shares of E.mergent common stock as to which appraisal rights have been perfected. The fair value of shares of E.mergent common stock will be determined by the Delaware Court of Chancery, exclusive of any element of value arising from the merger. The shares of E.mergent common stock with respect to which holders have perfected their appraisal rights in accordance with Section 262 and have not effectively withdrawn or lost their appraisal rights are referred to in this section as the "dissenting shares."

Appraisal rights are available only to the record holder of shares. If an E.mergent stockholder wishes to exercise appraisal rights but has a beneficial interest in shares which are held of record by or in the name of another person, such as a broker or nominee, the stockholder should act promptly to cause the record holder to follow the procedures set forth in Section 262 to perfect the stockholder's appraisal rights.

A demand for appraisal should be signed by or on behalf of the stockholder exactly as the stockholder's name appears on the stockholder's stock certificates. If the shares are owned of record in a fiduciary capacity such as by a trustee, guardian or custodian, the demand should be executed in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a record holder; however, in the demand the agent must identify the record owner or owners and expressly disclose that the agent is executing the demand as an agent of the record owner or owners. A record holder such as a broker who holds shares as nominee for several beneficial owners may exercise appraisal rights of the

shares held for one or more beneficial owners and not exercise rights of the shares held for other beneficial owners. In this case, the written demand should state the number of shares for which appraisal rights are being demanded. When no number of shares is stated, the demand will be presented to cover all shares of record by the broker or nominee.

If an E.mergent stockholder demands appraisal of the stockholder's shares under Section 262 and fails to perfect, or effectively withdraws or loses, the stockholder's right to appraisal, the stockholder's shares will be converted into a right to receive cash and a number of shares of ClearOne common stock in accordance with the terms of the merger agreement. Dissenting shares lose their status as dissenting shares if:

- the merger is abandoned;
- the dissenting stockholder fails to make a timely written demand for appraisal;
- the dissenting shares are voted in favor of adoption of the merger or the merger agreement;
- no petition for appraisal is filed with the Court of Chancery within 120 days after the effective date of the merger;

- the dissenting stockholder fails to hold the dissenting shares on the date of the demand through the effective date of the merger; or
- the dissenting stockholder delivers to ClearOne within 60 days of the effective date of the merger, or thereafter with ClearOne's approval, a written withdrawal of the stockholder's demand for appraisal of the dissenting shares, although no appraisal proceeding in the Delaware Court of Chancery may be dismissed as to any stockholder without the approval of the court.

Failure to follow the steps required by Section 262 of the Delaware General Corporation Law for perfecting appraisal rights may result in the loss of the stockholder's appraisal rights, in which event a stockholder will be entitled to receive the consideration with respect to the stockholder's dissenting shares in accordance with the merger agreement. In view of the complexity of the provisions of Section 262 of the Delaware General Corporation Law, if a stockholder is considering objecting to the merger should that option become available, the stockholder should consult the stockholder's own legal advisor.

Within ten days after the effective date of the merger, ClearOne must mail a notice to all stockholders who have complied with (1) and (2) above notifying such stockholders of the effective date of the merger. Within 120 days after the effective date, holders of E.mergent common stock may file a petition in the Delaware Court of Chancery for the appraisal of their shares, although they may, within 60 days of the effective date, withdraw their demand for appraisal. Within 120 days of the effective date, the holders of dissenting shares may also, upon written request, receive from ClearOne a statement setting forth the aggregate number of shares with respect to which demands for appraisals have been received.

Description of ClearOne Capital Stock

The authorized capital stock of ClearOne consists of 50,000,000 shares of common stock, $0.001 par value. As of the close of business on March 12, 2002, 10,156,337 shares of ClearOne common stock were issued and outstanding. Holders of common stock are entitled to one vote per share on all matters voted upon by stockholders. All shares rank equally as to voting and all other matters. The shares of ClearOne common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment, and are not entitled to cumulative voting rights. All of the issued and outstanding shares of ClearOne common stock are fully paid and nonassessable. In the event of a liquidation or dissolution of ClearOne, whether voluntary or involuntary, the holders of ClearOne common stock will be entitled to receive, pro rata, the assets of ClearOne remaining for distribution to its stockholders. The holders of ClearOne common stock will be entitled to receive, pro rata, dividends out of legally available funds, but only when, as and if declared by the ClearOne board of directors. See also "Comparison of Stockholder Rights."

Listing with Nasdaq the ClearOne Common Stock to be Issued in the Merger

ClearOne has agreed to cause the shares of ClearOne common stock to be issued in the merger to be approved for listing on the Nasdaq National Market before the completion of the merger, subject to official notice of issuance.

Delisting and Deregistration of E.mergent Common Stock After the Merger

When the merger is completed, E.mergent common stock will be delisted from the Nasdaq SmallCap Market and will be deregistered under the Securities Exchange Act.

Operations After the Merger

Following the merger, E.mergent will continue its operations as a wholly-owned subsidiary of ClearOne for some period of time. The stockholders of E.mergent will become stockholders of ClearOne, and their rights as stockholders will be governed by the ClearOne articles of incorporation, as currently in effect, the ClearOne bylaws and the laws of the State of Utah. See the section entitled "Comparison of Stockholder Rights" beginning on page 64 of this document. The membership of ClearOne's board of directors will remain unchanged as a result of the merger. Further, it is anticipated that upon the closing of the merger, Robin Sheeley, E.mergent's current Chief Technical Officer will become ClearOne's new Chief Technology Officer, Jim Hansen will resign as E.mergent's Chairman, Chief Executive Officer, President and Treasurer and Jill Larson will resign as E.mergent's Vice President-Administration and Corporate Secretary.

Exchange of E.mergent Stock Certificates for ClearOne Stock Certificates

Promptly after the effective time of the merger, if you are the holder of an E.mergent stock certificate, the exchange agent for the merger, American Stock Transfer, will mail to you a letter of transmittal and instructions for surrendering your E.mergent stock certificates in exchange for the cash payment and ClearOne stock certificates being issued in the merger, and any dividends or other distributions, if any, to which you are or may be entitled. When you deliver your E.mergent stock certificates to the exchange agent, along with any required documents, your E.mergent stock certificates will be canceled and, if

you are a holder of E.mergent common stock, you will receive ClearOne stock certificates representing the number of full shares of ClearOne common stock to which you are entitled under the merger agreement and you will receive a check payable in the amount of the aggregate cash consideration, without interest, payable to you in connection with the merger. You will also receive payment in cash, without interest, in lieu of any fractional share of ClearOne common stock that would have been otherwise issuable to you as a result of the merger.

YOU SHOULD NOT SUBMIT YOUR E.MERGENT STOCK CERTIFICATES FOR EXCHANGE UNTIL YOU RECEIVE INSTRUCTIONS FROM THE EXCHANGE AGENT FOR THE MERGER.

You are not entitled to receive any dividends or other distributions on ClearOne common stock with a record date after the merger is completed until you have surrendered your E.mergent stock certificates. Promptly after your ClearOne stock certificates are issued, you will receive payment for any dividend or other distribution on ClearOne common stock with a record date after the merger and a payment date prior to the date you surrender your E.mergent stock certificates.

ClearOne will only make the cash payment and issue a ClearOne stock certificate in a name other than the name in which a surrendered E.mergent stock certificate is registered if you present the exchange agent with all documents required to show and effect the unrecorded transfer of ownership of the shares of E.mergent common stock formerly represented by such E.mergent stock certificate, and show that you paid any applicable stock transfer taxes.

If your E.mergent stock certificate has been lost, stolen or destroyed, you may be required to deliver an affidavit and a lost certificate bond as a condition to receiving your cash payment and ClearOne stock certificate.

The cash and stock issuable to you in the merger is subject to withholding taxes to the extent required under U.S. federal or state, local or foreign law.

AGREEMENT AND PLAN OF MERGER

The following summary of the merger agreement is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement/prospectus. We urge you to read the full text of the merger agreement.

Structure of the Merger

Under the terms of the merger agreement, E.mergent will be merged with and into Tundra, and Tundra will survive the merger as a wholly-owned subsidiary of ClearOne. After the merger, the subsidiary will use the name E.mergent, Inc. or such other name as determined by ClearOne.

Completion and Effectiveness of the Merger

Assuming that all of the conditions to completion of the merger contained in the merger agreement have been satisfied or waived, we expect to complete the merger shortly after approval of the merger by the E.mergent stockholders. As part of completing the merger, ClearOne and E.mergent will file a certificate of merger with the State of Delaware, and the merger will become effective at the time specified in the certificate of merger. Because the merger is subject to certain conditions as described below, however, we are not able to predict the precise timing of the completion of the merger.

Conversion of E.mergent Common Stock

At the effective time of the merger, by virtue of the merger and without any action on the part of ClearOne, E.mergent or any of their respective security holders, each outstanding share of E.mergent common stock issued and outstanding immediately prior to the effective time will be canceled and extinguished and automatically converted into the right to receive a fixed number of shares of ClearOne common stock and a fixed amount of cash. The number of shares of ClearOne common stock and the amount of cash is based on exchange ratios calculated at the completion of the merger as follows:

- each issued and outstanding share of E.mergent common stock will receive an amount of cash determined by dividing (A) $7,300,000 by (B) the total number of shares of E.mergent common stock issued and outstanding immediately prior to the effective time of the merger; and

- each issued and outstanding share of E.mergent common stock will receive a fraction of a share of ClearOne common stock determined by the following formula:

  (A - B) / C

  where

  A = 873,000

  B = the aggregate number of shares of ClearOne common stock allocated to the E.mergent shares subject to the E.mergent stock options being assumed by ClearOne in the merger

  C = the number of issued and outstanding shares of E.mergent common stock issued and outstanding immediately prior to the effective time of the merger

The number of ClearOne common stock shares allocated to the E.mergent stock options being assumed by ClearOne is determined by multiplying the number of E.mergent stock options outstanding immediately prior to completion of the merger by an option exchange ratio. The option exchange ratio is calculated at completion of the merger as follows:

Option exchange ratio = (TV / TS) / AP

where

TV = the sum of $7,300,000 plus the product of (i) 873,000 times (ii) the weighted average closing price of the ClearOne common stock for the 10 trading days ending one

trading day prior to the date of completion of the merger, as quoted on the Nasdaq National Market

TS = the aggregate number of shares of E.mergent common stock and E.mergent stock options outstanding immediately prior to the effective time of the merger

AP = the weighted average closing price of the ClearOne common stock for the 10 trading days ending one trading day prior to the date of completion of the merger, as quoted on the Nasdaq National Market

E.mergent common stock held in the E.mergent Employee Stock Purchase Plan immediately prior to the effective time will be converted at the completion of the merger in the manner applicable to other outstanding E.mergent common stock. Any outstanding employee deposits in the Employee Stock Purchase Plan not applied to the purchase of shares of E.mergent common stock at that time will be refunded to the depositing employee.

As described above, the amount of cash and shares of ClearOne common stock that will be exchanged in the merger for each share of E.mergent common stock will depend on a number of factors determined immediately prior to the merger: (1) the number of issued and outstanding shares of E.mergent common stock; (2) the weighted average closing price of ClearOne common stock, (3) the number of E.mergent stock options remaining outstanding after any option exercises completed prior to the merger, (4) whether the exercise of stock options prior to the merger is done with cash or in a cashless manner, and (5) if options are exercised in a cashless manner, the closing price of a share of E.mergent common stock on the date of exercise.

The table below shows how the approximate amount of cash and ClearOne common stock shares that would be exchanged for each issued and outstanding share of E.mergent common stock in the merger may vary with changes in the weighted average closing price of the ClearOne common stock and the number of E.mergent stock options that are exercised prior to the merger:

E.mergent Stock Options Exercised (Cashless Exercise)

ClearOne Average Market Price	None			50%			100%	
	Cash	ClearOne Shares	Combined Value	Cash	ClearOne Shares	Combined Value	Cash	ClearOne Shares	C
$12.00	$1.231	0.1240	$2.719	$1.198	0.1318	$2.780	$1.168	0.1396	
$13.00	$1.231	0.1248	$2.853	$1.198	0.1322	$2.916	$1.168	0.1396	
$14.00	$1.231	0.1254	$2.986	$1.198	0.1325	$3.053	$1.168	0.1396	
$15.00	$1.231	0.1259	$3.120	$1.198	0.1328	$3.189	$1.168	0.1396	
$16.00	$1.231	0.1264	$3.253	$1.198	0.1330	$3.326	$1.168	0.1396	
$17.00	$1.231	0.1268	$3.387	$1.198	0.1332	$3.462	$1.168	0.1396	
$18.00	$1.231	0.1272	$3.520	$1.198	0.1334	$3.599	$1.168	0.1396	
$19.00	$1.231	0.1275	$3.654	$1.198	0.1335	$3.735	$1.168	0.1396	
$20.00	$1.231	0.1278	$3.787	$1.198	0.1337	$3.872	$1.168	0.1396	
$21.00	$1.231	0.1281	$3.921	$1.198	0.1338	$4.008	$1.168	0.1396	

$22.00	$1.231	0.1284	$4.055	$1.198	0.1339	$4.145	$1.168	0.1396
$23.00	$1.231	0.1286	$4.188	$1.198	0.1341	$4.282	$1.168	0.1396

The table is based on the following assumptions: (1) E.mergent has 5,931,280 shares issued and outstanding (which was the number actually issued and outstanding on April 4, 2002, including 50,317 treasury shares E.mergent intends to issue as employee bonuses prior to the merger), (2) E.mergent does not issue additional shares of common stock prior to the merger except pursuant to the exercise of outstanding stock options; and (3) any exercise of the 606,000 outstanding E.mergent stock options is done in a cashless manner using a price of $3.35 per E.mergent share (which was the closing share price of E.mergent common stock on April 4, 2002) to determine the value of the options extinguished in the exercise.

While the table above shows the approximate exchange amounts resulting from a weighted average price of ClearOne common stock that is between $23 and $14, such weighted average price could be above or below that range. In such

case, the approximate exchange amounts would change based on such price. However, both E.mergent and ClearOne have the right to terminate the merger if the weighted average closing price of ClearOne common stock for the 15 trading days ending one day prior to the date of the scheduled completion of the merger is greater than $23 or less than $12.

The examples given above are estimates based upon assumptions that may or may not be accurate at the effective time of the merger. The actual exchange ratios in the merger may differ from these examples. For example, the exercise of E.mergent stock options with cash instead of through cashless exercises, will have the effect of increasing the number of issued and outstanding E.mergent common stock shares at the time of the merger, thereby reducing the amount of cash and shares of ClearOne common stock that would be exchanged for each E.mergent share.

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

The exchange ratios used in the merger will also be adjusted to reflect the effect of any forward stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into ClearOne common stock or E.mergent common stock), extraordinary cash dividend, reorganization, recapitalization, reclassification, combination, exchange of shares or other like changes with respect to ClearOne common stock or E.mergent common stock occurring prior to the effective time of the merger.

Fractional Shares

No fractional shares of ClearOne common stock will be issued in connection with the merger. In lieu of a fraction of a share of ClearOne common stock each holder of E.mergent common stock who would otherwise be entitled to

receive a fraction of a share of ClearOne common stock will receive an amount of cash, without interest, and rounded to the nearest cent, determined by multiplying such fraction by the average closing price of a share of ClearOne common stock for the ten (10) trading days ending one trading day prior to the date of completion of the merger, as reported on the Nasdaq National Market.

Stock Options

Upon completion of the merger, each outstanding option to purchase E.mergent common stock, whether vested or unvested, will be assumed by ClearOne and become an option to purchase that number of shares of ClearOne common stock equal to the number of shares of E.mergent common stock issuable upon the exercise of such E.mergent stock option, multiplied by the option exchange ratio for the merger, rounded down to the nearest whole number of shares. The per share exercise price of each such E.mergent stock option will be adjusted to an exercise price equal to the per share exercise price of such E.mergent stock option divided by the option exchange ratio for the merger, rounded up to the nearest whole cent. All other terms of each E.mergent stock option will be unchanged by the merger. As of April 4, 2002, options to purchase approximately 606,000 shares of E.mergent common stock were outstanding in the aggregate. ClearOne will file a registration statement on Form S-8 to register the shares of ClearOne common stock issuable upon the exercise of E.mergent stock options assumed by ClearOne within 15 business days after the effective time of the merger.

Certificate Exchange Procedures

The merger agreement establishes the procedures for the E.mergent stockholders to exchange their stock certificates in the merger, which procedures are described on page 45 of this proxy statement/prospectus.

E.mergent's Representations and Warranties

E.mergent made a number of customary representations and warranties to ClearOne in the merger agreement regarding aspects of its business, financial condition, structure and other facts pertinent to the merger. These representations and warranties include representations as to:

- the corporate organization and qualification to do the business of E.mergent;
- the certificates of incorporation and bylaws of E.mergent;

- E.mergent's capitalization;
- authorization of the merger agreement by E.mergent;
- regulatory and third party approvals required to complete the merger and operate the business;
- the obligations of E.mergent under applicable laws and contracts in connection with the merger;
- compliance with applicable laws by E.mergent and certain environmental matters pertaining to E.mergent;

- permits required to conduct E.mergent's business and compliance with those permits;
- E.mergent's filings and reports with the Securities and Exchange Commission;
- E.mergent's financial statements;
- E.mergent's liabilities;
- changes in E.mergent's business since September 30, 2001 and actions taken by E.mergent since September 30, 2001;
- litigation involving E.mergent;
- E.mergent's employee benefit plans;
- E.mergent's labor relations;
- the absence of restrictions on the conduct of business by E.mergent;
- title to the properties E.mergent owns and leases;
- E.mergent's taxes;
- payments required to be made by E.mergent to brokers and agents in connection with the merger;
- intellectual property matters pertaining to E.mergent;
- E.mergent's material contracts;
- the opinion of Goldsmith, Agio, Helms;
- E.mergent's insurance coverage;
- the vote of E.mergent stockholders required to adopt and approve the merger agreement and approve the merger;
- approvals by the E.mergent board of directors in connection with the merger; and
- information supplied by E.mergent in this document and the related registration statement filed by ClearOne.

The representations and warranties of E.mergent contained in the merger agreement expire at the completion of the merger.

ClearOne's Representations and Warranties

ClearOne and Tundra have made a number of customary representations and warranties to E.mergent in the merger agreement regarding aspects of ClearOne's business, financial condition, structure and other facts pertinent to the merger. These representations and warranties include representations as to:

- the corporate organization and qualification to do business of ClearOne;

- the certificate of incorporation and bylaws of ClearOne and its subsidiaries;
- ClearOne's capitalization;
- authorization of the merger agreement by ClearOne and Tundra;
- regulatory and third party approvals and filings required to complete the merger;
- the obligations of ClearOne under applicable laws in connection with the merger;
- ClearOne's filings and reports with the Securities and Exchange Commission;
- ClearOne's financial statements;
- the absence of material adverse changes in ClearOne's business since September 30, 2001;
- litigation involving ClearOne;
- certain aspects of Tundra;
- information supplied by ClearOne in this document and the related registration statement filed by ClearOne; and
- the liabilities of ClearOne.

The representations and warranties of ClearOne and Tundra contained in the merger agreement expire at the completion of the merger.

The representations and warranties contained in the merger agreement are complicated and not easily summarized. You are urged to carefully read Articles II and III of the merger agreement entitled "Representations and Warranties of Company" and "Representations and Warranties of Parent and Merger Sub," respectively.

E.mergent's Conduct of Business Before Completion of the Merger

Under the terms of the merger agreement, E.mergent agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless ClearOne consents in writing, E.mergent will:

- carry on its business in the usual, regular and ordinary course, in substantially the same manner as it was conducted prior to the date of the merger agreement and in compliance with all applicable laws;
- pay its debts and taxes when due; and
- pay or perform other material obligations when due; and use its commercially reasonable efforts consistent with past practices and policies to:
  - preserve intact its present business organization;
  - keep available the services of its present officers and employees; and

- preserve its relationships with customers, suppliers, distributors, licensors, licensees and others with which it has significant business dealings.

Under the terms of the merger agreement, E.mergent also agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless ClearOne consents in writing or specific notification procedures are followed by E.mergent, E.mergent will comply with certain specific restrictions relating to the operation of its business, including restrictions relating to the following:

- changes with respect to E.mergent restricted stock and stock options;
- the granting or amendment of severance and termination payments;
- the transfer or license of intellectual property;

- the declaration or payment of dividends or other distributions on E.mergent capital stock;
- the repurchase, redemption or acquisition of E.mergent capital stock;
- the issuance, pledge or encumbrance of capital stock;
- the modification of the certificate of incorporation or bylaws of E.mergent or its subsidiaries;
- the acquisition of other business entities;
- the entering into of joint ventures, strategic partnerships or alliances;
- the sale, lease, license and disposition of assets;
- the modification or termination of material contracts affecting E.mergent properties, or creation of material liabilities with regard to such properties;
- the incurrence of indebtedness;
- the adoption or amendment of employee benefit plans;
- the entering into of employment or collective bargaining agreements, payment of bonuses or increasing compensation rates;
- payment or settlement of liabilities;
- waivers or modifications to existing confidentiality agreements;
- modification or termination of material contracts or waivers of material rights under material contracts;
- the revaluation of any assets or change accounting methods, principals or practices;
- the making of any tax elections; and

- the making of any agreement or commitment expenditures outside the ordinary course of business in excess of $500,000.

The agreements related to the conduct of E.mergent's business in the merger agreement are complicated and not easily summarized. You are urged to carefully read Article IV of the merger agreement entitled "Interim Conduct."

ClearOne's Conduct of Business Before Completion of the Merger

Under the terms of the merger agreement, ClearOne agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless E.mergent consents in writing, ClearOne will not declare, set aside or pay any dividends or other distributions unless the consideration given in the merger is appropriately adjusted.

Material Covenants

Recommendation by E.mergent Board of Directors

Under the terms of the merger agreement, E.mergent has agreed that, subject to the merger agreement's provisions regarding withdrawal of the E.mergent board of directors' recommendation regarding the merger:

- its board of directors will recommend by unanimous vote of its non-interested directors that its stockholders vote in favor of and adopt and approve the merger agreement and the merger at the E.mergent special stockholders' meeting;

- this document will include a statement to the effect that the E.mergent board of directors so unanimously recommends such stockholder approval; and

- neither E.mergent nor its board of directors will withdraw, amend or modify, or propose or resolve to withdraw, amend or modify in a manner adverse to ClearOne such unanimous recommendation.

For purposes of the merger agreement, the recommendation of the E.mergent board of directors is deemed to have been modified in a manner adverse to ClearOne if it is no longer a unanimous recommendation of its non-interested directors.

Solicitations by E.mergent; Withdrawal of Recommendation by E.mergent Board of Directors

Under the terms of the merger agreement, E.mergent agreed to cease, as of the date of the merger agreement, any and all existing activities, discussions or negotiations with any parties other than ClearOne conducted prior to the date of the merger agreement with respect to any Acquisition Proposal.

Under the terms of the merger agreement, an Acquisition Proposal is any offer or proposal relating to an Acquisition Transaction (other than an offer or proposal from ClearOne), and an Acquisition Transaction is any transaction or series of related transactions (other than the merger) involving any of the following:

- the acquisition or purchase from E.mergent by any person or group of

more than a 15% interest in the total outstanding voting securities of E.mergent or any of its subsidiaries;

- any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 15% or more of the total outstanding voting securities of E.mergent or any of its subsidiaries;

- any merger, consolidation, business combination or similar transaction involving E.mergent in which the stockholders of E.mergent immediately preceding such transaction hold less than 85% of the equity interests in the surviving or resulting entity of such transaction;

- any sale, lease, exchange, transfer, license, acquisition or disposition of more than 15% of the assets of E.mergent; or

- any liquidation or dissolution of E.mergent.

Until the merger is completed or the merger agreement is terminated, under the terms of the merger agreement E.mergent further agreed that neither it nor any of its subsidiaries will, directly or indirectly (nor will they authorize or permit any of their respective officers, directors, affiliates or employees or any of their investment bankers, attorneys or other advisors or representatives to):

- solicit, initiate, encourage or induce the making, submission or announcement of any Acquisition Proposal;

- subject to certain limited exceptions applicable upon receipt of a Superior Offer, as described below, participate in any discussions or negotiations regarding, or furnish non-public information with respect to, any Acquisition Proposal;

- take any other action to facilitate any inquiries or the making of any proposal that is or may reasonably be expected to lead to any Acquisition Proposal;

- subject to certain limited exceptions applicable upon receipt of a Superior Offer, as described below, engage in discussions with any person with respect to any Acquisition Proposal;

- subject to certain limited exceptions in the event of a Superior Offer, as described below, approve, endorse or recommend any Acquisition Proposal; or

- enter into any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any Acquisition Transaction.

Any violation of any of the restrictions described in the preceding paragraph by any officer or director of E.mergent, or any investment banker, attorney or other advisor or representative of E.mergent is deemed to be a breach of the relevant restriction by E.mergent.

Under the terms of the merger agreement, E.mergent has also agreed to inform ClearOne, as promptly as practicable, of any request received by E.mergent for non-public information that E.mergent reasonably believes would lead to an Acquisition Proposal, or of any Acquisition Proposal, or any inquiry

received by E.mergent with respect to or which E.mergent reasonably should

believe would lead to any Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the person or group making any such request, Acquisition Proposal or inquiry. E.mergent further agreed to use reasonable efforts to keep ClearOne informed in all material respects of the status and details, including material amendments or proposed amendments, of any such request, Acquisition Proposal or inquiry.

E.mergent is expressly permitted, however, to furnish non-public information regarding E.mergent and its subsidiaries to, and to enter into a confidentiality agreement with or discussions with, any person or group in response to a Superior Offer submitted by the person or group, and not withdrawn, if all of the following conditions are met:

- neither E.mergent nor any of its representatives, or subsidiaries has breached the non-solicitation provisions contained in the merger agreement described above;

- the board of directors of E.mergent concludes in good faith, after consultation with its outside legal counsel, that such action is required in order for the E.mergent board of directors to comply with its fiduciary duties to E.mergent's stockholders under applicable law;

- at least three business days prior to furnishing any such information to, or entering into discussions or negotiations with, the person or group, E.mergent gives ClearOne written notice of the identity of such person or group and of E.mergent's intention to furnish information to, or enter into discussion or negotiations with, such person or group, and E.mergent receives from such person or group an executed confidentiality agreement containing customary limitations on the use and disclosure of all non-public written and oral information furnished to such person or group by or on behalf of E.mergent; and

- contemporaneously with furnishing any non-public information to the person or group, E.mergent furnishes the same non-public information to ClearOne, to the extent such non-public information has not been previously furnished by E.mergent to ClearOne.

Under the terms of the merger agreement, a Superior Offer is an unsolicited, bona fide, written offer from a third party to consummate any of the following transactions on terms that the board of directors of E.mergent determines, in its reasonable judgment, based on the advice of a financial advisor of nationally recognized reputation, to be more favorable to the E.mergent stockholders from a financial point of view than the terms of the merger:

- a merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving E.mergent pursuant to which the stockholders of E.mergent immediately preceding such transaction hold less than a majority of the equity interests in the surviving or resulting entity of such transaction;

- the acquisition by any person or group, including by way of a tender or exchange offer or issuance by E.mergent, directly or indirectly, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the outstanding shares of E.mergent's capital stock; or

- a sale or other disposition by E.mergent of substantially all of its assets.

Under the terms of the merger agreement, the E.mergent board of directors is permitted to withdraw, amend or modify the unanimous recommendation

of its non-interested directors in favor of the merger only if:

- a Superior Offer is made and not withdrawn;
- neither E.mergent nor any of its representatives has breached the non-solicitation provisions of the merger agreement described above; and
- the board of directors of E.mergent concludes in good faith, after consultation with its outside counsel that, in light of the Superior Offer, the withdrawal, amendment or modification of its recommendation is required in order for the E.mergent board of directors to comply with its fiduciary duties to E.mergent's stockholders under applicable law.

E.mergent must give ClearOne at least 72 hours notice of the commencement of the change to the unanimous recommendation of its non-interested directors, and provide ClearOne with the opportunity to meet with E.mergent and

its counsel. In addition, under the terms of the merger agreement, E.mergent has agreed to provide ClearOne with at least 48 hours prior notice (or such lesser prior notice as provided to the E.mergent board of directors, but in no event less than eight hours) of any meeting of the E.mergent board of directors at which the E.mergent board of directors is reasonably expected to consider a Superior Offer. Furthermore, E.mergent has agreed to provide ClearOne with at least three business days prior written notice of a meeting of the E.mergent board of directors at which the E.mergent board of directors is reasonably expected to recommend a Superior Offer to E.mergent's stockholders (together with a copy of the all documentation relating to such Superior Offer).

Regardless of whether there has been a Superior Offer, and regardless of whether the E.mergent board of directors withdraws, amends or modifies the unanimous recommendation of its non-interested directors in favor of the merger, E.mergent is obligated, under the terms of the merger agreement, to hold and convene the special meeting of E.mergent stockholders at which the merger agreement and the merger will be considered and voted upon.

Other Covenants

Under the terms of the merger agreement, each of ClearOne and E.mergent have also agreed to the following additional items:

- E.mergent has agreed to take the necessary action to hold the special shareholders meeting for the purposes of obtaining stockholder approval of the merger agreement and the merger, all in compliance with applicable law and Nasdaq requirements.
- E.mergent has agreed to use its commercially reasonable efforts to solicit from its stockholders proxies in favor of the adoption and approval of the merger agreement and the approval of the merger and shall take all other action necessary or advisable to secure the vote or consent of its stockholders required by the rules of Nasdaq and applicable law.
- Both ClearOne and E.mergent will take the necessary action to prepare this proxy statement/prospectus and related registration statement, and cooperate with each other to take such other action and file other documents as are necessary to comply with applicable securities laws.

- E.mergent will allow ClearOne and its agents access to E.mergent's properties, books, records and personnel for the purpose of obtaining information about E.mergent and its properties.

- ClearOne will provide E.mergent employees who remain after the merger with employment benefits that are substantially comparable in the aggregate to benefits available to similarly situated employees of ClearOne and its subsidiaries, provided such benefits are available on reasonably acceptable terms. Unless requested otherwise by ClearOne, E.mergent's 401k plan will be terminated. ClearOne will take steps, to the extent practicable and permitted by ClearOne's plan, to enable continuing employees to roll over distributions to a tax-qualified defined contribution plan maintained by ClearOne or an affiliate of ClearOne.

- Each of ClearOne and E.mergent will use its commercially reasonable efforts to take, or cause to be taken, all reasonable actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective in the most expeditious manner practicable the merger and transactions contemplated by the merger agreement and to assist and cooperate with each other in doing such things, including:

  - causing the conditions to the completion of the merger to be satisfied;

  - obtaining any necessary actions, waivers, consents, approvals, orders and authorizations by or from any governmental entity, making all necessary registrations, declarations and filings, avoiding any suit, claim, action, investigation or proceeding by any governmental entity;

  - defending all lawsuits or other legal proceedings challenging the merger agreement or the consummation of the merger; and

  - executing or delivering any additional instruments reasonably necessary to consummate the transactions contemplated by the merger agreement.

- Each of ClearOne and E.mergent will use its commercially reasonable efforts to obtain any consents, waivers and approvals under any of its or its subsidiaries' respective agreements, contracts, licenses or leases required to be obtained from third parties in connection with the consummation of the transactions contemplated by the merger agreement.

- Each of ClearOne and E.mergent will promptly notify the other upon becoming aware of any breach in any material respect of any representation or warranty contained in, or failure to comply in any material respect with any covenant, condition or agreement to be complied with or satisfied by it under, the merger agreement.

- ClearOne will take such action as is necessary to ensure that the shares of ClearOne common stock issuable in connection with the merger will be listed on the Nasdaq National Market.

- ClearOne and E.mergent will consult with each other, and agree, before issuing any press release, and will consult with each other and to the extent practicable, agree, before otherwise making any public statement with respect to the merger agreement, the other party, or an Acquisition

Proposal.

- ClearOne will file a registration statement on Form S-8 to register the shares of ClearOne common stock issuable upon the exercise of E.mergent stock options assumed by ClearOne within 15 business days after the effective time of the merger.

The agreements related to the conduct of E.mergent