



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED

18 Can any resulting loss be recognized? ▶ SEE ATTACHED

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ 

Date ▶ 02/18/2025

Print your name ▶ SIMON BREWER

Title ▶ CFD

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="radio"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

ClearOne, Inc.

2024 Cash Distributions

Attachment to Form 8937

**PLEASE CONSULT YOUR TAX ADVISOR**

**THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE APRIL 10, 2024 CASH DISTRIBUTION TO SHAREHOLDERS UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE TAX ADVICE AND DOES NOT PURPORT TO BE COMPLETE OR TO DESCRIBE THE CONSEQUENCES THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS.**

**SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF CASH DISTRIBUTIONS.**

**Part II – Organizational Action**

**Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

In April 2024, ClearOne, Inc. issued cash distributions to various shareholders. The Company's Board of Directors declared a special dividend of \$0.50 per share of the Company's stock and eligible warrants to be paid on April 10, 2024 to shareholders and warrant holders of record on April 2, 2024. At that time, the company did not have current or accumulated earnings and profits as described in IRC 312, its regulations, and pertinent authority.

**Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

Distributions from a corporation made with respect to stock is taxed using a three-tiered rule. First, the payment is a taxable dividend to the extent it is paid out of the corporation's earnings and profits. Second, if the payment exceeds earnings and profits, the portion of the payment that is not paid from earnings and profits (and is made with respect to stock) reduces the shareholders tax basis in stock as a return of capital. Third, if the payment reduces the shareholders basis to zero, any amount that exceeds the shareholder's basis is treated as gain from the sale or exchange of property and is taxed as capital gain. As the company did not have current or accumulated earnings and profits when these distributions noted in Line 14 were made, the distributions fall into tier two and, potentially, tier three. Shareholders are urged to consult their own tax advisors regarding any adjustment to their stock basis and capital gain.

**Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

See answer to Line 15.

**Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

IRC Section 301(a)-(d), IRC Section 312, IRC Section 316

**Line 18. Can any resulting loss be recognized?**

No.

**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The reportable tax year in which the cash distribution occurred is 2024.