

Registration No. 333-94199

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	<C>	<C>
Delaware	7372	58-1972600
(State or other jurisdiction of Incorporation or organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

</TABLE>

3970 Johns Creek Court, Suite 100
Suwanee, Georgia 30024
(770) 291-3900

(Address and telephone number of Registrant's principal executive offices)

Mr. Stephen P. Jeffery
Chairman, President and
Chief Executive Officer
Clarus Corporation
3970 Johns Creek Court, Suite 100
Suwanee, Georgia 30024
(770) 291-3900

(Name, address and telephone number of agent for service)

Copies To:

<TABLE>

<S>	<C>
Sharon L. McBrayer, Esq. Elizabeth O. Derrick, Esq. Womble Carlyle Sandridge & Rice, PLLC 1201 West Peachtree Street, N.E., Suite 3500 Atlanta, Georgia 30309 (404) 872-7000	Katherine M. Koops, Esq. Powell, Goldstein, Frazer & Murphy, LLP 191 Peachtree Street, N.E., Suite 1600 Atlanta, Georgia 30303 (404) 572-6600

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or investment plans, please check the following box. ☐

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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(c) under the Securities Act, check the box and list the Securities Act registration statement for the same offering. ☐

If the delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities Registered	Amount to be Registered	Proposed Maximum Price Per Share(1)	Proposed Maximum Aggregate Price(1)	Registration Fee(2)
--	-------------------------	-------------------------------------	-------------------------------------	---------------------

<S>	<C>	<C>	<C>	<C>
Common stock, \$.0001 par value.....	2,444,999	\$66.1875	\$161,828,371	\$42,723

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) The registrant has previously paid \$35,460 in connection with this Registration Statement.

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 the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

+++++The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and it is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted. +
+++++

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED FEBRUARY 7, 2000

PROSPECTUS

2,100,000 Shares

[LOGO OF CLARUS]

Common Stock

Clarus Corporation is selling 1,928,000 shares of common stock. Our stockholders listed on page 47 are selling a total of 172,000 shares. We will not receive any proceeds from the sale of shares by the selling stockholders. Our common stock is traded on the Nasdaq National Market under the symbol "CLRS." On February 2, 2000, the last reported sale of our common stock on the Nasdaq National Market was \$66 3/16 per share.

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	Per Share	Total
<S>	<C>	<C>
Public offering price.....	\$	\$
Underwriting discounts.....	\$	\$
Proceeds to Clarus Corporation, before expenses.....	\$	\$
Proceeds to selling stockholders.....	\$	\$

</TABLE>

We have granted the underwriters an option for a period of 30 days to purchase up to 315,000 additional shares of common stock.

Investing in our common stock involves a high degree of risk.

See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

CHASE H&Q

BANC OF AMERICA SECURITIES LLC

U.S. BANCORP PIPER JAFFRAY

STEPHENS INC.

, 2000

[Inside Front Cover]

The inside front cover has our logo, "CLARUS(TM)" with a stylized "A," at the top of the page, with a page-width graphic centered vertically on the page below the logo. The logo depicts the surfaces of two black planets from a distance that barely allows the detection of each planet's curvature. Each planet is covered with thousands of randomly placed lights, and each of the lights is connected to one or more other lights by a light blue line. The planets appear to be close together, and in the middle of the graphic, there is a bright light that is on neither of the planets, but appears to be touching the surfaces of each, and is several times larger than any of the lights on the planets. A gold line extends from the left side of the graphic, curves around the center light, and terminates into a gold dot.

Immediately below the graphic, in large type is the phrase "The Clear Alternative in e-Commerce," with the words "Clear Alternative" in white and the remainder of the phrase in gold and slightly smaller. A paragraph below the phrase reads:

Clarus is The Clear Alternative in e-Commerce - providing B2B e-Commerce solutions built based on the ClarusDirect(TM) architecture, leveraging the Free Trade model of the Internet for corporate procurement and digital marketplaces. Clarus directly links buyers and suppliers for maximized cost savings, improved procurement efficiencies, and to create new revenue opportunities for large and mid-sized companies.

[Inside Gatefold]

The left side of the Gatefold contains a blue column about four inches wide. The "CLARUS(TM) COMMERCE" logo is at the top of the column and below that are various screen shots of our products, separated by gold title bars. Under the first screen shot is the title "Clarus(TM) View." Under the second screen shot are the titles "SupplierUniverse(TM)" and "ClarusContent(TM)." Under the third screen shot are the titles "Clarus(TM) eProcurement" and "Clarus(TM) eXpense." A vertical, double-ended arrow points from the "Clarus(TM) eXpense" title to the title "Clarus(TM) Fusion." Another vertical, double-ended arrow points from the "Clarus(TM) Fusion" title to a white rectangle, in which the logos of Oracle(R), PeopleSoft(R), epicor(R), and SAP are arranged. Located at the bottom of the column is the phrase "Clarus Commerce - a strategic B2B e-Commerce solution."

The right side of the Gatefold contains the "CLARUS(TM)" logo at the top with the phrase "The Clear Alternative in e-Commerce" directly beneath the logo. In the center of the Gatefold is a graphic, the background of which is a depiction of the earth, in predominately blue tones, amidst clouds and encircled by lines representing latitude and longitude.

At the top of the globe are the words "SupplierUniverse," with "Supplier" in heavier black font and "Universe" in thinner black font. The "U" in "Universe" is red. To the right of the words "SupplierUniverse" is a graphical depiction of a red, partially eclipsed sliver of planet forming the outline of approximately two-thirds of a circle and a three dimensional replication of two dark purple Saturn-like rings located perpendicular to each other, encircling the red planet outline. Underneath the words "SupplierUniverse" is the phrase "Global Trading Network."

At the bottom of the globe is a horizontal, double-ended, red arrow with "ClarusDirect(TM)" written in white in the middle. To the left of the arrow is a red circle with the word "Buyers" inside of it. Nine lines radiate from the left of the red circle pointing to nine, vertically-arranged, gold title bars. The following entities were listed in the title bars: BC/BS of Arkansas, Cinergy, Comcast, First Data Corp., MasterCard Intl., MetLife, Parsons Brinkerhoff, Perot Systems, The Container Store. To the right of the arrow is a red circle with the word "Suppliers" inside of it. Nine lines radiate from the right of the red circle pointing to nine, vertically-arranged, gold title bars. The following entities were listed in the title bars: Barnes & Noble, Compaq, Corporate Express, Dell, Flowers Online, IKON, National Restaurant Supply, Staples, USA Business Equip.

At the bottom of the page, in black print, is the phrase "e-Commerce Solutions for Corporate Procurement and Digital Marketplaces."

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Clarus(TM), SupplierUniverse(TM) and SupplierUniverse.com(TM) are our trademarks. All other trademarks and registered trademarks used in this prospectus are the property of their respective owners.

We obtained the statistical and operating data and customer information contained in "Business-- Customer Case Studies," beginning on page 38, from the customers described in that section. Although we have discussed this information with those customers and obtained their consent to include it in this prospectus, we have not independently verified this information.

The summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including "Risk Factors" and the financial statements, before making an investment decision.

Clarus Corporation

We develop, market and support an Internet-based business-to-business electronic commerce solution that automates the procurement and management of operating resources. Operating resources are the goods and services required to operate a company such as information technology, telecommunications and office equipment, professional services, maintenance, repair and operating supplies and travel and entertainment expenses. Our solution enables buyers to improve profitability by reducing processing costs associated with purchasing operating resources and by maximizing procurement economies of scale. Additionally, our solution benefits suppliers by reducing sales costs and providing the opportunity to increase revenues. Our solution also provides a framework to enable Internet-based digital marketplaces, allowing companies to create trading communities and additional revenue opportunities. Our flagship product, Clarus eProcurement, has been licensed by customers such as First Data Corporation, MasterCard International, MetLife, Parsons Brinckerhoff, Perot Systems and The Container Store.

Our solution, based on a free trade model, provides a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. Our solution performs the value-added trading services delivered by centralized trading portals, while eliminating the transaction fees and scalability limitations of those portals. It is designed to integrate with third party enterprise resource planning solutions such as those provided by J.D. Edwards, Oracle, PeopleSoft and SAP. By providing real-time purchasing data analysis, our solution also facilitates proactive management and control of operating resources. Our solution is based on a flexible, open architecture and leverages leading electronic commerce technologies and industry standards such as Microsoft's e-commerce platform and extensible markup language, or XML. We also provide implementation and ongoing customer support services as an integral part of our complete procurement solution.

The Market Opportunity

According to Killen & Associates, a leading Internet market research firm, operating resource expenditures are often the largest segment of corporate expenditures, representing approximately 33% of an average company's total revenues. Most organizations buy operating resources through costly, time consuming and complex paper-based or semi-automated processes. This often results in fulfillment delays to end-users and reduced productivity. Many organizations lack the systems that enable them to monitor purchases and compile data necessary to negotiate volume discounts with preferred suppliers. In addition, many organizations do not capture potential purchasing discounts due to a problem known as "maverick buying," which occurs when personnel do not follow internal purchasing guidelines.

By automating the operating resource procurement process, buyers can significantly reduce processing costs and enhance overall productivity. Automating the procurement process also lowers the overall costs of operating resources by enabling buyers to efficiently aggregate end-user purchases to maximize economies of scale. With the adoption of the Internet as a business communication platform, organizations have begun to automate enterprise-wide and inter-organizational procurement activities. International Data Corporation projects that the worldwide market for Internet-based electronic procurement applications will increase substantially from approximately \$147 million in 1998 to approximately \$5.3 billion in 2003.

In addition to the growth in the electronic procurement market, the rapid formation of digital marketplaces is another important e-commerce trend. Enablers of digital marketplaces, or Internet market makers, provide a common trading hub that is specifically designed to enable multi-buyer/multi-seller interaction and collaboration. Digital marketplaces enable new methods of commerce such as online sourcing, dynamic pricing and negotiations.

Most Internet-based procurement systems effect transactions through a centralized trading portal, charging transaction fees to either the buyer, the supplier or both. In addition to transaction fees, other potential disadvantages of a centralized portal include decreased performance and reliability during times of heavy volume, disclosure of confidential trading data and vendor-controlled trade. Additionally, the rapid proliferation of online digital marketplaces has created a significant need for an enabling software solution. As a result, we believe that there is a significant market opportunity for a comprehensive solution that optimizes electronic procurement and the development of digital marketplaces.

Our Solution

Key elements of our solution include the following:

- . **Leveraged Network Model.** Our solution, based on a free trade model, provides a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. Our trading network, SupplierUniverse, performs the value-added trading services delivered by centralized trading portals, including content management and auction capabilities, while eliminating the transaction fees and scalability limitations of those portals. In addition, because procurement activity is not funneled through a single site, confidentiality and performance concerns are mitigated. We believe that the benefits of our leveraged network model will become increasingly compelling to customers seeking to reduce costs, improve operational efficiencies and develop new revenue opportunities.
- . **Integration with Existing Software.** To solve one of the most difficult problems customers face in automating the procurement of operating resources, Clarus Fusion provides a packaged integration solution that quickly and easily integrates our electronic procurement application with major enterprise resource planning systems, including those provided by J.D. Edwards, Oracle, PeopleSoft and SAP.
- . **Zero Capital and Hosted Application Alternatives.** We have recently introduced a subscription-based zero capital model that will enable our customers to pay a monthly subscription fee for our software. We believe that our zero capital model will allow companies to realize a more rapid return on their investment by decreasing their up-front software expenditures and eliminate the challenges associated with capital budgeting. In addition, we have developed partnerships with application service providers who host our software. By leveraging these partnerships, customers can deploy our solution more rapidly and cost effectively and outsource the ongoing management and operation of our software.
- . **Open Architecture.** Our solution is based on an open architecture and leverages leading electronic commerce technologies and industry standards such as Microsoft's e-commerce platform and XML. Our open architecture provides flexibility, scalability, ease of administration, reduced costs and rapid deployment.

Our Strategy

The key elements of our strategy are as follows:

- . **Achieve Broad Market Penetration.** We have developed a multi-channel distribution strategy to encourage and support our strategy of achieving widespread market penetration of our products. Our direct sales force targets large businesses. In addition, we market our solution to mid-sized businesses through a growing number of indirect channels, including application service providers, systems integrators and resellers. We also intend to achieve widespread acceptance of our procurement solution through our zero capital model.
- . **Leverage Solution into Digital Marketplaces.** We intend to continue to leverage our procurement technology into the rapidly emerging market for value added trading communities. Our approach is to provide the software

that enables market makers to create their own digital marketplaces, not to actively own and operate the marketplaces. We have dedicated significant resources to the continued development and delivery of our digital marketplace solution, and we intend to develop partnerships to increase the functionality of the solution.

- . Increase International Market Presence. We believe that there is a significant opportunity to establish Clarus as the leading provider of Internet-based procurement solutions in international markets. To capitalize on this opportunity, we are continuing to globalize our Clarus Commerce product suite and form strategic alliances with international partners to provide global distribution channels.
- . Build Brand Awareness Through Strategic Alliances. To build awareness of the Clarus brand, we are aggressively developing relationships with technology market leaders such as Cisco Systems, Compaq, MasterCard, Microsoft and Perot Systems.

We are located at 3970 Johns Creek Court, Suite 100, Suwanee, Georgia 30024, our telephone number is (770) 291-3900 and our web site address is www.claruscorp.com. We were incorporated in Delaware in 1991. Information contained on our web site does not constitute part of this prospectus, and you should rely only on information contained in this prospectus in deciding whether to invest in our common stock.

The Offering

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

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Common stock offered by Clarus..... 1,928,000 shares

Common stock offered by selling stockholders.. 172,000 shares

Common stock outstanding after this offering.. 13,453,681 shares

Use of proceeds..... We intend to use the net proceeds of this offering for repayment of our indebtedness under a credit agreement with Transamerica Business Credit Corporation, Silicon Valley Bank and Sand Hill Capital II, L.P. and for general corporate purposes, including product development, possible acquisitions and working capital. See "Use of Proceeds" (page 16).

Nasdaq National Market symbol..... CLRS

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The number of shares that will be outstanding after the offering is based on the actual number of shares outstanding as of December 31, 1999. It excludes options to purchase 2,145,014 shares of common stock outstanding as of December 31, 1999, at a weighted average exercise price of \$12.05 per share and warrants to purchase 307,479 shares outstanding as of December 31, 1999, at a weighted average exercise price of \$17.97 per share.

Summary Selected Pro Forma Consolidated Statement of Operations Data

The following table summarizes our historical summary consolidated statement of operations data, adjusted to reflect the sale of our financial and human resources software business as if it occurred at the beginning of each period presented. As a result, the pro forma consolidated financial data below consists of selected statement of operations data for our unaudited e-commerce business only. We have included this pro forma financial data because our historical financial information includes our financial and human resources

software business, which constituted our primary business until we sold its assets in October 1999. Given this change in our primary business, our historical financial statements are only of limited use in making an investment decision.

<TABLE>
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	Year Ended December 31,	
	1998	1999
	(unaudited)	
<S>	<C>	<C>
Total revenues.....	\$ 862	\$ 11,484
Operating income (loss).....	(12,148)	(19,110)
Net income (loss).....	(11,512)	(18,739)
Net income (loss) per share:		
Basic.....	(1.82)	(1.69)
Diluted.....	(1.82)	(1.69)
Weighted average common shares outstanding:		
Basic.....	6,311	11,097
Diluted.....	6,311	11,097

</TABLE>

Summary Selected Historical Consolidated Financial Data

The following table summarizes our historical consolidated financial data for the entire company. The as adjusted balance sheet data adjusts historical balance sheet data to reflect the application of the net proceeds from this public offering.

<TABLE>
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	Year Ended December 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Total revenues.....	\$ 8,190	\$13,056	\$25,988	\$ 41,640	\$ 38,142
Operating income (loss).....	(7,987)	(7,658)	(3,358)	(11,078)	(15,155)
Net income (loss).....	(8,049)	(7,879)	(4,110)	(10,702)	(5,401)
Net income (loss) per common share:					
Basic.....	(6.19)	(5.74)	(2.97)	(1.70)	(0.49)
Diluted.....	(6.19)	(5.74)	(2.97)	(1.70)	(0.49)
Weighted average common shares outstanding:					
Basic.....	1,300	1,373	1,386	6,311	11,097
Diluted.....	1,300	1,373	1,386	6,311	11,097

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	As of December 31,	
	1999	
	Actual	As Adjusted
<S>	<C>	<C>
Balance Sheet Data:		
Cash and cash equivalents.....	\$14,127	\$127,129
Working capital.....	16,751	135,071
Total assets.....	48,657	160,959
Long-term debt, net of current portion.....	0	0
Total stockholders' equity.....	32,615	150,935

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RISK FACTORS

You should consider carefully the following risk factors and all other information contained in this prospectus before purchasing our common stock. Investing in our common stock involves a high degree of risk. Any of the following risks could materially harm our business and could result in a complete loss of your investment.

Risks Related to Our Business

We have only recently focused on the business-to-business e-commerce market and may not effectively implement our business strategy.

Our future performance will depend in part on successfully developing, introducing and gaining market acceptance of our Clarus Commerce suite of products, which is designed to automate the procurement and management of operating resources. On October 18, 1999, we sold substantially all of the assets of our financial and human resources software business to Geac Computer Systems, Inc. and Geac Canada Limited. Our financial and human resources software business had historically been our primary business. We began marketing our Clarus eProcurement solution in the second quarter of 1998. If we do not successfully implement our business-to-business e-commerce growth strategy, our business will suffer materially and adversely.

Our solution may not achieve significant market acceptance without a critical mass of large buying organizations and their suppliers.

Unless a critical mass of large buying organizations and their suppliers join our SupplierUniverse network, our solutions may not achieve widespread market acceptance, and our business would be seriously harmed. The implementation of our Clarus Commerce suite of products by large buying organizations can be complex, time consuming and expensive. In many cases, these organizations must change established business practices and conduct business in new ways. Our ability to attract additional customers for our Clarus Commerce suite of products will depend on using our existing customers as referenceable accounts. As of December 31, 1999, only 28 customers had licensed our Clarus eProcurement solution, and only eight customers were buying operating resources through our Clarus eProcurement solution from a limited number of online suppliers. As a result, our operating resource solutions may not achieve significant market acceptance.

If a sufficient and increasing number of suppliers fail to join our SupplierUniverse network, our network will be less attractive to buyers and other suppliers. To provide buyers on our SupplierUniverse network an organized means of accessing operating resources, we rely on suppliers to maintain web-based catalogs, indexing services and other content aggregation tools. Our inability to access and index these catalogs and services would result in our customers having fewer products and services available to them through our solution, which would adversely affect the perceived usefulness of our SupplierUniverse network.

If our zero capital subscription-based model is unsuccessful, the market may adopt our products at a slower rate than anticipated, and our business may suffer materially.

We expect to achieve widespread adoption of our Internet-based procurement solution by offering a zero capital subscription-based payment method to our customers. This model is unproven and represents a significant departure from the fee-based software licensing strategies that we and our competitors have traditionally employed. To date, we have only one zero capital subscriber, who became a customer in the fourth quarter of 1999. If we do not successfully develop and support our zero capital subscription-based model, the market may adopt our products at a slower rate than anticipated, and our business may suffer materially. See "Business--Our Solution" (page 32) and "--Our Strategy" (page 33).

We may not generate the substantial additional revenues necessary to become profitable and anticipate that we will continue to incur losses.

We may not generate the substantial additional growth in revenues that will be necessary to become profitable. We have incurred significant net losses in each year since our formation, primarily related to our former enterprise resource planning business. In addition, we have incurred losses related to the development of our electronic procurement business. We expect that we will continue to incur losses.

As we expand our international sales and marketing activities, our business will be more susceptible to numerous risks associated with international operations.

To be successful, we believe we must expand our international operations and hire additional international personnel. As a result, we expect to commit significant resources to expand our international sales and marketing activities. If successful, we will be subject to a number of risks associated with international business activities. These risks generally include:

- . currency exchange rate fluctuations;
- . seasonal fluctuations in purchasing patterns;
- . unexpected changes in regulatory requirements;
- . tariffs, export controls and other trade barriers;
- . longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- . difficulties in managing and staffing international operations;
- . potentially adverse tax consequences, including restrictions on the repatriation of earnings;
- . the burdens of complying with a wide variety of foreign laws; and
- . political instability.

Significant fluctuations in our quarterly and annual operating results may adversely affect the market price of our common stock.

We believe that our quarterly and annual operating results are likely to fluctuate significantly in the future, and our results of operations may fall below the expectations of securities analysts and investors. If this occurs or if market analysts perceive that it will occur, our market value could decrease substantially. Because the percentage of our revenues represented by maintenance services is smaller than that of many software companies with a longer history of operations, we do not have a significant recurring revenue stream that could lessen the effect of quarterly fluctuations in operating results. Our expense levels are based in part on our expectations of future orders and sales. Many factors may cause significant fluctuations in our quarterly and annual operating results, including:

- . changes in the demand for our products;
- . the timing, composition and size of orders from our customers;
- . customer spending patterns and budgetary resources;
- . our success in generating new customers;
- . the timing of introductions of or enhancements to our products;
- . changes in our pricing policies or those of our competitors;
- . our ability to anticipate and adapt effectively to developing markets and rapidly changing technologies;
- . our ability to attract, retain and motivate qualified personnel, particularly within our sales and marketing and research and development organizations;
- . the publication of opinions or reports about us, our products, our competitors or their products;

- . unforeseen events affecting business-to-business e-commerce;
- . changes in general economic conditions;

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- . actions taken by our competitors, including new product introductions and enhancements;
- . our ability to scale our network and operations to support large numbers of customers, suppliers and transactions;
- . our success in maintaining and enhancing existing relationships and developing new relationships with strategic partners, including application service providers, systems integrators, resellers, value-added trading communities and other partners; and
- . our ability to control costs.

Competition from other electronic procurement providers may reduce demand for our products and cause us to reduce the price of our products.

The market for Internet-based procurement applications, and e-commerce technology generally, is rapidly evolving and intensely competitive. We may not compete effectively in our markets. Competitive pressure may result in our reducing the price of our products, which would negatively affect our revenues and operating margins. If we are unable to compete effectively in our markets, our business, results of operations and financial condition would be materially and adversely affected.

In targeting the e-commerce market, we must compete with electronic procurement providers such as Ariba and Commerce One. We also anticipate competition from some of the large enterprise resource planning software vendors, such as Oracle and SAP, which have announced business-to-business electronic procurement solutions. A number of companies, including International Business Machines, have stated an interest in electronic procurement. In addition, we believe we will experience increased competition from travel and expense software companies, such as Concur and Extensity. These companies have significantly greater financial, technical and marketing resources and brand recognition than we have.

In addition, some of our competitors have well-established relationships with our potential customers and have extensive knowledge of our industry. Others have established or may establish cooperative relationships among themselves or with third parties to increase the appeal of their products. We also expect that competition will increase as a result of industry consolidation. For these reasons, and given the relatively low barriers to entry and relatively high availability of capital in today's markets, new competitors will likely emerge in our markets and may rapidly acquire significant market share. See "Business--Competition" (page 39).

Market adoption of our solution will be impeded if we do not continue to establish and maintain strategic relationships.

Our success depends in part on the ability of our strategic partners to expand market adoption of our solution. If we are unable to maintain our existing strategic partnerships or enter into new partnerships, we may need to devote substantially more resources to direct sales of our products and services. We would also lose anticipated customer introductions and co-marketing benefits.

We rely, and expect to rely increasingly, on a number of third party application service providers to host our solutions. If we are unable to establish and maintain effective, long-term relationships with our application service providers, or if these providers do not meet our customers' needs or expectations, our business would be seriously harmed. In addition, we lose a significant amount of control over our solution when we engage application service providers, and we cannot adequately control the level and quality of their service. By relying on third party application service providers, we are wholly reliant on their information technology infrastructure, including the maintenance of their computers and communication equipment. An unexpected natural disaster or failure or disruption of an application service provider's

infrastructure would have a material adverse effect on our business.

If the demand for our solution continues to increase, we will need to develop relationships with additional third-party application service providers to provide these services. Our competitors have or may develop relationships with these third parties and, as a result, these third parties may be more likely to recommend competitors' products and services rather than ours.

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Many of our strategic partners have multiple strategic relationships, and they may not regard us as important to their businesses. In addition, our strategic partners may terminate their relationships with us, pursue other partnerships or relationships or attempt to develop or acquire products or services that compete with our solution. Further, our existing strategic relationships may interfere with our ability to enter into other desirable strategic relationships. A significant number of our new Clarus eProcurement sales have occurred through referrals from Microsoft, but Microsoft is not obligated to refer any potential customers to us, and it may enter into strategic relationships with other providers of electronic procurement applications.

We expect to depend on our Clarus eProcurement product for substantially all of our revenues for the foreseeable future.

We anticipate that revenues from our Clarus eProcurement product and related services will continue to represent substantially all of our revenues for the foreseeable future. As a result, a decline in the price of, profitability of or demand for our Clarus eProcurement product would seriously harm our business.

Clarus eProcurement may perform inadequately in a high volume environment.

Any failure by our principal product, Clarus eProcurement, to perform adequately in a high volume environment could materially and adversely affect the market for Clarus eProcurement and our business, results of operations and financial condition. Clarus eProcurement was designed for use in environments that include numerous users, large amounts of catalog and other data and potentially high peak transaction volumes. Clarus eProcurement and the third party software and hardware on which it depends may not operate as designed when deployed in these environments.

Defects in our products could delay market adoption of our solution or cause us to commit significant resources to remedial efforts.

We could lose revenues as a result of software errors or other product defects. As a result of their complexity, software products may contain undetected errors or failures when first introduced or as new versions are released. Despite our testing of our software products and their use by current customers, errors may appear in new applications after commercial shipping begins. If we discover errors, we may not be able to correct them. Errors and failures in our products could result in the loss of customers and market share or delay in market adoption of our applications, and alleviating these errors and failures could require us to expend significant capital and other resources. The consequences of these errors and failures could materially and adversely affect our business, results of operations and financial condition. Because we do not maintain product liability insurance, a product liability claim could materially and adversely affect our business, results of operations and financial condition. Provisions in our license agreements may not effectively protect us from product liability claims.

Any acquisitions that we attempt or make could prove difficult to integrate or require a substantial commitment of management time and other resources.

As part of our business strategy, we may seek to acquire or invest in businesses, products or technologies that may complement or expand our business. If we identify an appropriate acquisition opportunity, we may not be able to negotiate the terms of that acquisition successfully, finance it, or integrate it into our existing business and operations. We have completed only one acquisition to date. We may not be able to select, manage or absorb any future acquisitions successfully, particularly acquisitions of large companies. Further, the negotiation of potential acquisitions, as well as the integration of an acquired business, would divert management time and other resources. We may use a substantial portion of our available cash, including proceeds of this

offering, to make an acquisition. On the other hand, if we make acquisitions through an exchange of our securities, our stockholders could suffer dilution. In addition, any particular acquisition, even if successfully completed, may not ultimately benefit our business.

An increase in the length of our sales cycle may contribute to fluctuations in our operating results.

As our products and competing products become increasingly sophisticated and complex, the length of our sales cycle is likely to increase. The loss or delay of orders due to increased sales and evaluation cycles could materially and adversely affect our business, results of operations and financial condition and, in particular, could contribute to significant fluctuations in our quarterly operating results. A customer's decision to license and implement our solution may present significant enterprise-wide implications for the customer and involve a substantial commitment of its management and resources. The period of time between initial customer contact and the purchase commitment typically ranges from four to nine months for our applications. Our sales cycle could extend beyond current levels as a result of lengthy evaluation and approval processes that typically accompany major initiatives or capital expenditures or other delays over which we have little or no control.

Our success depends on the continued use of Microsoft technologies or other technologies that operate with our products.

Our products operate with, or are based on, Microsoft's proprietary products. If businesses do not continue to adopt these technologies as anticipated, or if they adopt alternative technologies that we do not support, we may incur significant costs in redesigning our products or lose market share. Our customers may be unable to use our products if they experience significant problems with Microsoft technologies that are not corrected.

The failure to maintain, support or update software licensed from third parties could materially and adversely affect our products' performance or cause product shipment delays.

We have entered into license agreements with third-party licensors for products that enhance our products, are used as tools with our products, are licensed as products complementary to ours or are integrated with our products. If these licenses terminate or if any of these licensors fail to adequately maintain, support or update their products, we could be required to delay the shipment of our products until we could identify and license software offered by alternative sources. Product shipment delays could materially and adversely affect our business, operating results and financial condition, and replacement licenses could prove costly. We may be unable to obtain additional product licenses on commercially reasonable terms. Additionally, our inability to maintain compatibility with new technologies could impact our customers' use of our products.

If we are unable to manage our internal resources, we may incur increased administrative costs and be unable to capitalize on revenue opportunities.

The growth of our e-commerce business, coupled with the rapid evolution of our market and the sale of our financial and human resources business and products to Geac, has strained, and may continue to strain, our administrative, operational and financial resources and internal systems, procedures and controls. Our inability to manage our internal resources effectively could increase administrative costs and distract management. If our management is distracted, we may not be able to capitalize on opportunities to increase revenues.

The loss of our key personnel could negatively impact our business and results of operations.

Our success depends on our continuing ability to attract, hire, train and retain a substantial number of highly skilled managerial, technical, sales, marketing and customer support personnel. In particular, our Chairman and Chief Executive Officer, Stephen P. Jeffery, is integral to our future success and is not bound by an employment agreement. Competition for qualified personnel is intense, and we may fail to retain our key employees or to attract or retain other highly qualified personnel. In particular, there is a shortage of,

and significant competition for, research and development and sales personnel. Even if we are able to attract qualified personnel, new hires frequently require extensive training before they achieve desired levels of productivity. If we are unable to hire or fail to retain competent personnel, our business, results of operations and financial condition could be materially and adversely affected. None of our employees is bound by an employment agreement. We do not maintain life insurance policies on any of our employees. See "Business--Employees" (page 40).

Illegal use of our proprietary technology could result in substantial litigation costs and divert management resources.

Our success will depend significantly on internally developed proprietary intellectual property and intellectual property licensed from others. We rely on a combination of copyright, trademark and trade secret laws, as well as on confidentiality procedures and licensing arrangements, to establish and protect our proprietary rights in our products. We have no patents or patent applications pending, and existing trade secret and copyright laws provide only limited protection of our proprietary rights. We have applied for registration of our trademarks. We enter into license agreements with our customers that give the customer the non-exclusive right to use the object code version of our products. These license agreements prohibit the customer from disclosing object code to third parties or reverse-engineering our products and disclosing our confidential information. Despite our efforts to protect our products' proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Third parties may also independently develop products similar to ours.

Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could harm our business, operating results and financial condition.

Claims against us regarding our proprietary technology could require us to pay licensing or royalty fees or to modify or discontinue our products.

Any claim that our products infringe on the intellectual property rights of others could materially and adversely affect our business, results of operations and financial condition. Because knowledge of a third party's patent rights is not required for a determination of patent infringement and because the United States Patent and Trademark Office is issuing new patents on an ongoing basis, infringement claims against us are a continuing risk. Infringement claims against us could cause product release delays, require us to redesign our products or require us to enter into royalty or license agreements. These agreements may be unavailable on acceptable terms. Litigation, regardless of the outcome, could result in substantial cost, divert management attention and delay or reduce customer purchases. Claims of infringement are becoming increasingly common as the software industry matures and as courts apply expanded legal protections to software products. Third parties may assert infringement claims against us regarding our proprietary technology and intellectual property licensed from others. Generally, third-party software licensors indemnify us from claims of infringement. However, licensors may be unable to indemnify us fully for such claims, if at all.

If a court determines that one of our products violates a third party's patent or other intellectual property rights, there is a material risk that the revenue from the sale of the infringing product will be significantly reduced or eliminated, as we may have to:

- . pay licensing fees or royalties to continue selling the product;
- . incur substantial expense to modify the product so that the third party's patent or other intellectual property rights no longer apply to the product; or
- . stop selling the product.

In addition, if a court finds that one of our products infringes a third party's patent or other intellectual property rights, then we may be liable to that third party for actual damages and attorneys' fees. If a court finds that we willfully infringed on a third party's patent, the third party may be able to recover treble damages, plus attorneys' fees and costs.

A compromise of the encryption technology employed in Clarus eProcurement could reduce customer and market confidence in our products or result in claims against us.

A significant barrier to Internet-based commerce is the secure exchange of valued and confidential information over public networks. Any compromise of our security technology could result in reduced customer and market confidence in our products and in customer or third party claims against us. This could materially and adversely affect our business, financial condition and operating results. Clarus eProcurement relies on encryption technology to provide the security and authentication necessary to protect the exchange of valuable and confidential information. Advances in computer capabilities, discoveries in the field of cryptography or other events or developments may result in a compromise of the encryption methods we employ in Clarus eProcurement to protect transaction data.

Residual Year 2000 issues may disrupt our operations, subject us to liabilities and costs and affect the timing of our revenues.

The Year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer controlled systems using two digits rather than four to define the applicable year. For example, software programs that have time-sensitive components may recognize a date represented as "00" as the year 1900 rather than the year 2000. In addition, programs may fail to recognize February 29, 2000 as a leap year date as a result of an exception to the calculation of leap years that will occur in the year 2000 and otherwise occurs only once every 400 years. This problem could result in miscalculations, data corruption, system failures or disruptions of operations.

Because our software is used in connection with other products, residual Year 2000 problems affecting these products could cause our software to fail. If residual Year 2000 problems cause the failure of any of the technology, software or systems necessary to use our products or operate our business, we could lose customers, suffer significant disruptions in our business, lose revenues and incur substantial liabilities and expenses. We could also become involved in costly litigation resulting from Year 2000 problems. This could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Industry

Our success depends upon market acceptance of e-commerce as a reliable method for corporate procurement and other commercial transactions.

Market acceptance of e-commerce generally, and the Internet specifically, as a forum for corporate procurement is uncertain and subject to a number of risks. The success of our Clarus Commerce suite of business-to-business e-commerce applications, including Clarus eProcurement, depends upon the development and expansion of the market for Internet-based software applications, in particular e-commerce applications. This market is new and rapidly evolving. Many significant issues relating to commercial use of the Internet, including security, reliability, cost, ease of use, quality of service and government regulation, remain unresolved and could delay or prevent Internet growth. If widespread use of the Internet for commercial transactions does not develop or if the Internet otherwise does not develop as an effective forum for corporate procurement, the demand for our Clarus Commerce suite of products and our overall business, operating results and financial condition will be materially and adversely affected.

If the market for Internet-based procurement applications fails to develop or develops more slowly than we anticipate or if our Internet-based products or new Internet-based products we may develop do not

achieve market acceptance, our business, operating results and financial condition could be materially and adversely affected. The adoption of the Internet for corporate procurement and other commercial transactions requires accepting new ways of transacting business. In particular, enterprises with established patterns of purchasing goods and services that have already invested substantial resources in other means of conducting business and exchanging information may be particularly reluctant to adopt a new strategy that may make some of their existing personnel and infrastructure obsolete. Also, the security and privacy concerns of existing and potential users of Internet-based products and services may impede the growth of online business generally and the market's acceptance of our products and services in particular. A functioning market for these products may not emerge or be sustained. See "Business--Industry Background" (page 31).

The market for business-to-business e-commerce solutions is characterized by rapid technological change, and our failure to introduce enhancements to our products in a timely manner could render our products obsolete and unmarketable.

The market for e-commerce applications is characterized by rapid technological change, frequent introductions of new and enhanced products and changes in customer demands. In attempting to satisfy this market's demands, we may incur substantial costs that may not result in increased revenues due to the short life cycles for business-to-business e-commerce solutions. Because of the potentially rapid changes in the e-commerce applications market, the life cycle of our products is difficult to estimate. Products, capabilities or technologies others develop may render our products or technologies obsolete or noncompetitive and shorten the life cycles of our products. Satisfying the increasingly sophisticated needs of our customers requires developing and introducing enhancements to our products and technologies in a timely manner that keeps pace with technological developments, emerging industry standards and customer requirements while keeping our products priced competitively. Our failure to develop and introduce new or enhanced e-commerce products that compete with other available products could materially and adversely affect our business, results of operations and financial condition.

Failure to expand Internet infrastructure could limit our growth.

Our ability to increase the speed and scope of our services to customers is limited by and depends on the speed and reliability of both the Internet and our customers' internal networks. As a result, the emergence and growth of the market for our services depends on improvements being made to the entire Internet infrastructure as well as to our individual customers' networking infrastructures. The recent growth in Internet traffic has caused frequent periods of decreased performance. If the Internet's infrastructure is unable to support the rapid growth of Internet usage, its performance and reliability may decline, and overall Internet usage could grow more slowly or decline. If Internet reliability and performance declines, or if necessary improvements do not increase the Internet's capacity for increased traffic, our customers will be hindered in their use of our solution, and our business, operating results and financial condition could suffer.

Future governmental regulations could materially and adversely affect our business and e-commerce generally.

We are not subject to direct regulation by any government agency, other than under regulations applicable to businesses generally, and few laws or regulations specifically address commerce on the Internet. In view of the increasing use and growth of the Internet, however, the federal government or state governments may adopt laws and regulations covering issues such as user privacy, property ownership, libel, pricing and characteristics and quality of products and services. We could incur substantial costs in complying with these laws and regulations, and the potential exposure to statutory liability for information carried on or disseminated through our application systems could force us to discontinue some or all of our services. These eventualities could adversely affect our business operating results and financial condition. The adoption of any laws or regulations covering these issues also could slow the growth of e-commerce.

generally, which would also adversely affect our business, operating results or financial condition. Additionally, one or more states may impose sales tax collection obligations on out-of-state companies that engage in or facilitate e-commerce. The collection of sales tax in connection with e-commerce could impact the growth of e-commerce and could adversely affect sales of our e-commerce products.

Legislation limiting further levels of encryption technology may adversely affect our sales.

As a result of customer demand, it is possible that Clarus eProcurement will be required to incorporate additional encryption technology. The United States government regulates the exportation of this technology. Export regulations, either in their current form or as they may be subsequently enacted, may further limit the levels of encryption or authentication technology that we are able to use in our software and our ability to distribute our products outside the United States. Any revocation or modification of our export authority, unlawful exportation or use of our software or adoption of new legislation or regulations relating to exportation or use of software and encryption technology could materially and adversely affect our sales prospects and, potentially, our business, financial condition and operating results as a whole.

Risks Related to This Offering

The market price of our common stock is highly volatile and several factors that are beyond our control could adversely affect the market price of our common stock.

The market price of our common stock has been highly volatile. The stock market in general, and the market for Internet-related technology companies in particular, has been highly volatile. You may not be able to resell your shares of our common stock at the same levels as other Internet stocks, and Internet stocks in general may not sustain their current market prices.

Factors that could cause our common stock price to be volatile may include:

- . actual or anticipated variations in quarterly operating results;
- . announcements of financial results concerning our business-to-business e-commerce products;
- . introduction and performance of new products or services;
- . changes in financial estimates by securities analysts;
- . changes in conditions or trends in e-commerce;
- . changes in the market valuations of Internet companies;
- . changes in the market's perception of us and the nature of our business;
- . announcements of strategic partnerships or joint ventures;
- . additions or departures of key personnel; and
- . sales of our common stock.

Many of these factors are beyond our control. These factors may materially adversely affect the market price of our common stock, regardless of our operating performance. See "Price Range of Our Common Stock" (page 18).

Purchasers in this offering will incur immediate, substantial dilution.

The public offering price is substantially higher than the book value per share of our outstanding common stock. The as adjusted net tangible book value of our common stock as of December 31, 1999 was \$114.3 million, or approximately \$10.72 per share. To the extent options or warrants are exercised, there will be further dilution to new investors. See "Dilution" (page 19).

Our issuance of a large number of additional shares of our common stock upon the exercise of outstanding stock options or warrants could decrease the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market or the perception that these sales could occur. We have filed a Registration Statement on Form S-8 that has made eligible for sale approximately 3.1 million additional shares issuable upon the exercise of stock options. If we issue our common stock to option holders, it will dilute your ownership interest in us. In addition, if a large number of option holders or warrant holders sell their shares of our common stock, it could create a negative public perception of the value of our stock.

Our Certificate of Incorporation, our Bylaws and Delaware corporate law contain provisions that may discourage a takeover of our company.

Provisions of our Certificate of Incorporation, our Bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Our Certificate of Incorporation permits us to issue up to 5.0 million shares of preferred stock and permits our Board of Directors to fix the rights, preferences, privileges and restrictions of these shares without any further vote or action by our stockholders. Although we have no current plans to issue new shares of preferred stock, the potential issuance of preferred stock may delay, defer or prevent a change in our control. The potential issuance may also discourage bids for the common stock at a premium over the market price of the common stock and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. Our Board of Directors is divided into three classes, each of which serves for a staggered three-year term. This structure may make it more difficult for a third party to gain control of our Board of Directors.

We have broad discretion over our use of proceeds.

Our management may spend our proceeds from this offering in ways with which our stockholders may not agree. We cannot predict that they will invest the proceeds to yield a favorable return. See "Use of Proceeds" (page 16).

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements, including or related to our future results, including certain projections and business trends. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this prospectus, the words "estimate," "project," "intend," "believe" and "expect" and similar expressions are intended to identify forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and we may not realize the results contemplated by the forward-looking statement. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our business strategy or capital expenditure plans that may, in turn, affect our results of operations. In light of the significant uncertainties inherent in the forward-looking information included in this prospectus, you should not regard the inclusion of such information as our representation that we will achieve any strategy, objectives or other plans. The forward-looking statements contained in this prospectus speak only as of the date of this prospectus as stated on the front cover, and we have no obligation to update publicly or revise any of these forward-looking statements.

These and other statements, which are not historical facts, are based largely on management's current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, the risks and uncertainties described in "Risk Factors" (page 6).

USE OF PROCEEDS

We estimate our net proceeds from the sale of the 1,928,000 shares of our common stock offered in this offering to be approximately \$120.0 million, or approximately \$139.7 million if the underwriters' over-allotment option is exercised in full and after deducting the estimated underwriting discount and offering expenses.

We intend to use the net proceeds from this offering for general corporate purposes, including repayment of our loan from Transamerica Business Credit Corporation, Silicon Valley Bank and Sand Hill Capital II, L.P., product development and working capital. This loan, in the original principal amount of \$7.0 million, bears interest at the prime rate plus 3% and is due on the earlier of the closing of this offering or April 30, 2000. In addition, we may use a portion of the net proceeds to acquire businesses, products and technologies that are complementary to ours. We have no agreements with respect to any material acquisitions as of the date of this prospectus. Pending these uses, we intend to invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities.

We will not receive any of the proceeds from the sale of the shares of our common stock being offered by the selling stockholders in this prospectus.

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CAPITALIZATION

The following table summarizes our capitalization as of December 31, 1999, as follows:

- . on an actual basis; and
- . on an as adjusted basis to reflect the application of the net proceeds from this public offering.

<TABLE>

<CAPTION>

	As of December 31, 1999		
	Actual	As Adjusted	
	(in thousands)		
<S>	<C>	<C>	<C>
Long-term obligations, net of current portion.....	\$	0	\$ 0
Stockholders' equity:			
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, no shares outstanding..	--	--	--
Common stock, \$0.0001 par value, 25,000,000 shares authorized, 11,525,681 shares outstanding, actual; and 13,453,681 shares outstanding, as adjusted(1)...	1	1	1
Additional paid-in capital.....	63,953	183,955	
Accumulated deficit.....	(44,122)	(45,804)	
Warrants.....	13,055	13,055	
Treasury stock.....	(2)	(2)	
Deferred compensation.....	(270)	(270)	
Total stockholders' equity.....	32,615	150,935	
Total capitalization.....	\$32,615	\$150,935	

</TABLE>

(1) The number of shares outstanding is based on the actual number of shares outstanding as of December 31, 1999. It excludes:

- . options to purchase 2,145,014 shares outstanding as of December 31, 1999, at a weighted average exercise price of \$12.05 per share; and
- . warrants to purchase 307,479 shares outstanding as of December 31, 1999, at a weighted average exercise price of \$17.97 per share.

PRICE RANGE OF OUR COMMON STOCK

Our common stock has been listed on the Nasdaq National Market since May 26, 1998, the effective date of our initial public offering. On August 28, 1998, we changed our name from SQL Financials International, Inc. to Clarus Corporation. Effective September 2, 1998, we changed our Nasdaq National Market symbol from "SQLF" to "CLRS." Prior to May 26, 1998, there was no established trading market for our common stock. The following table sets forth, for the indicated periods, the high and low closing sales prices for our common stock as reported by the Nasdaq National Market for all quarters since May 26, 1998.

<TABLE>

<CAPTION>

	Closing Sales Price	
	High	Low
Calendar Year 1998		
<S>	<C>	<C>
Second Quarter (beginning May 27, 1998).....	\$10.00	\$ 7.63
Third Quarter.....	\$ 9.62	\$ 3.53
Fourth Quarter.....	\$ 8.63	\$ 2.75
Calendar Year 1999		
First Quarter.....	\$ 6.13	\$ 3.31
Second Quarter.....	\$ 5.91	\$ 4.50
Third Quarter.....	\$15.44	\$ 5.06
Fourth Quarter.....	\$71.00	\$ 9.38
Calendar Year 2000		
First Quarter (through February 2, 2000).....	\$88.00	\$66.19

</TABLE>

DIVIDEND POLICY

We anticipate that we will retain all future earnings for use in our business and do not anticipate that we will pay any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our results of operations, capital requirements, general business conditions, contractual restrictions on payment of dividends, if any, legal and regulatory restrictions on the payment of dividends and other factors our Board of Directors deems relevant. In addition, our loan agreement with Transamerica Business Credit Corporation, Silicon Valley Bank and Sand Hill Capital II, L.P. prohibits the payment of dividends without prior lender approval.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Pro forma net tangible book value dilution per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after completion of this offering.

Our net tangible book value as of December 31, 1999, was approximately \$26.0 million or \$2.25 per share of common stock. After giving effect to our sale of the 1,928,000 shares of common stock offered by this prospectus at an assumed public offering price of \$66.1875 per share and after deducting the estimated underwriting discount and offering expenses, our as adjusted net tangible book value as of December 31, 1999, would have been approximately \$144.3 million or \$10.72 per share of common stock. This represents an immediate increase in net tangible book value to existing stockholders of \$8.47 per share and an immediate dilution to new investors of \$55.47 per share. The following table illustrates the per share dilution to new investors:

<TABLE>

<S>

<C> <C>

Assumed public offering price per share.....	\$66.19
Net tangible book value per share.....	\$2.25
Increase per share attributable to this offering.....	8.47

Net tangible book value per share after the offering.....	10.72

Dilution per share to new investors in this offering.....	\$55.47
	=====

</TABLE>

The foregoing discussion and tables assume no exercise of any stock options outstanding as of December 31, 1999. The foregoing discussion and tables exclude:

- . options to purchase 2,145,014 shares of common stock outstanding as of December 31, 1999, at a weighted average exercise price of \$12.05 per share; and
- . warrants to purchase 307,479 shares of common stock outstanding as of December 31, 1999, at a weighted average exercise price of \$17.97 per share.

To the extent that any of these shares are issued, there will be further dilution to new investors.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Our selected combined financial information set forth below should be read in conjunction with our consolidated financial statements, including the notes thereto. The following statement of operations and balance sheet data have been derived from our audited consolidated financial statements and should be read in conjunction with those statements which are incorporated by reference in this prospectus.

<TABLE>

<CAPTION>

	Year Ended December 31,				
	1995	1996	1997	1998	1999

	(in thousands, except per share data)				
	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues:					
License fees.....	\$ 5,232	\$ 6,425	\$13,506	\$ 17,372	\$15,101
Services fees.....	2,958	6,631	12,482	24,268	23,041
	-----	-----	-----	-----	-----
Total revenues.....	8,190	13,056	25,988	41,640	38,142
Cost of revenues:					
License fees.....	291	416	1,205	1,969	1,351
Service fees.....	2,076	4,254	7,311	13,952	14,517
	-----	-----	-----	-----	-----
Total cost of revenues.....	2,367	4,670	8,516	15,921	15,868
Operating expenses:					
Research and development.....	3,882	5,360	6,690	6,335	9,003
Purchased research and development.....	0	0	0	10,500	0
Sales and marketing, exclusive of noncash sales and marketing expense.....	6,636	7,191	9,515	11,802	15,982
Noncash sales and marketing expense.....	0	0	0	0	1,930
General and administrative, exclusive of noncash general and administrative compensation expense.....	2,923	2,368	3,161	5,126	6,241
Depreciation and amortization...	369	1,125	1,406	2,154	3,399
Noncash general and administrative compensation expense.....	0	0	58	880	874
	-----	-----	-----	-----	-----

Total operating expenses.....	13,810	16,044	20,830	36,797	37,429
Operating income (loss).....	(7,987)	(7,658)	(3,358)	(11,078)	(15,155)
Gain on sale of assets.....	0	0	0	0	9,417
Interest expense (income), net...	2	6	274	(412)	(337)
Minority interest.....	(60)	(215)	(478)	(36)	0
Net income (loss).....	\$(8,049)	\$(7,879)	\$(4,110)	\$(10,702)	\$(5,401)
Net income (loss) per common share:					
Basic.....	\$ (6.19)	\$ (5.74)	\$ (2.97)	\$ (1.70)	\$ (0.49)
Diluted.....	\$ (6.19)	\$ (5.74)	\$ (2.97)	\$ (1.70)	\$ (0.49)
Weighted average common shares outstanding:					
Basic.....	1,300	1,373	1,386	6,311	11,097
Diluted.....	1,300	1,373	1,386	6,311	11,097

</TABLE>

<TABLE>

<CAPTION>

Year Ended December 31,						
	1995	1996	1997	1998	1999	
(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:						
Cash and cash equivalents...	\$ 3,333	\$ 3,279	\$ 7,213	\$14,799	\$14,127	
Working capital (deficit)...	(2,555)	(3,422)	(453)	9,001	16,751	
Total assets.....	5,865	8,525	14,681	40,082	48,657	
Long-term debt, net of current portion.....	93	1,093	497	245	0	
Total stockholders' (deficit) equity.....	(15,927)	(23,837)	(27,910)	22,111	32,615	

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We develop, market and support an Internet-based business-to-business electronic commerce solution that automates the procurement and management of operating resources. Our solution provides a framework to enable Internet-based digital marketplaces, allowing companies to create trading communities and additional revenue opportunities. Our solution, based on a free trade model, provides a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. We also provide implementation and ongoing customer support services as an integral part of our complete procurement solution. To achieve broad market adoption of our solution and services, we have developed a multi-channel distribution strategy that includes both our direct sales force and a growing number of indirect channels, including application service providers, systems integrators and resellers.

Sources of Revenue

Our revenue consists of license fees and services fees. We generate license fees from the licensing of our Clarus Commerce suite of products. We generate services fees from consulting, implementation, training and maintenance services.

Revenue Recognition

For the year ended December 31, 1997, we recognized software license revenue in accordance with the provisions of American Institute of Certified Public Accountants Statement of Position ("SOP") No. 91-1, "Software Revenue Recognition." Accordingly, we recognized software license revenue upon shipment of the software following execution of a contract, provided that no significant vendor obligations remained outstanding, amounts were due within one year and collection was considered probable by management. If significant post-delivery obligations existed, we recognized the revenue from the software license, as well as other components of the contract, using percentage of completion accounting.

Effective January 1, 1998, we adopted SOP No. 97-2, "Software Revenue Recognition," which supersedes SOP No. 91-1, "Software Revenue Recognition." Under SOP No. 97-2, we recognize software license revenue when the following criteria are met:

- . a signed and executed contract is obtained;
- . shipment of the product has occurred;
- . the license fee is fixed and determinable;
- . collectibility is probable; and
- . remaining obligations under the license agreement are insignificant.

In the fourth quarter of 1999, some of our license contracts required us to license our software, which included upgrades, enhancements, training and other services over a period of time for a periodic fee. We recognize the revenue under these agreements over the period of the license term as subscription fees. As of December 31, 1999, we had recognized no significant revenue under these agreements and had recorded the majority of the amount as deferred revenue. We expect that an increasing number of our new license contracts will be entered into on a subscription fee basis.

We recognized revenues from consulting, implementation and training services as the services are performed. Maintenance fees relate to customer maintenance and support, and we recognize the revenue ratably over the term of the software support services agreement, which is typically 12 months. Revenues that have been prepaid or invoiced but that do not yet qualify for recognition under our policies are reflected as deferred revenues.

Operating Expenses

Cost of license fees includes royalties and software duplication and distribution costs. We recognize these costs as the applications are shipped. Cost of services fees includes personnel and related costs incurred to provide implementation, training, maintenance, ongoing support and upgrade services to customers. We recognize these costs as they are incurred.

Research and development expenses consist primarily of personnel costs. We account for software development costs under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." We charge research and development costs to expense as incurred until technological feasibility is established, after which we capitalize remaining costs. We define technological feasibility as the point in time at which we have a working model of the related product. Historically, the costs we have incurred during the period between the achievement of technological feasibility and the point at which the product is available for general release to customers have not been material. Accordingly, we charge all internal software development costs to expense as incurred.

Sales and marketing expenses consist primarily of salaries, commissions and benefits for business development, sales and marketing personnel and expenses related to travel, trade show participation, public relations and promotional activities.

General and administrative expenses consist primarily of salaries for financial, administrative and management personnel and related travel expenses, as well as occupancy, equipment and other administrative costs.

We have incurred significant costs to develop our business-to-business e-commerce technology and products and to recruit and train personnel. We believe that our success is contingent upon increasing our customer base and investing in further development of our products and services, which will require expenditures for sales, marketing and research and development. We therefore expect to continue to incur substantial operating losses for the foreseeable future.

Sale of Human Resources and Financial Software Business

On October 18, 1999, we sold all of the assets of our human resources and financial software, or ERP, business to Geac. In this sale, we received approximately \$14.5 million in proceeds, of which \$2.9 million is held in escrow. See "--Liquidity and Capital Resources."

Limited Operating History

We have a limited operating history in our e-commerce business that makes it difficult to forecast our future operating results. You should not rely on period-to-period comparisons of operating results to predict our future performance.

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Results of Operations

The following table sets forth certain statement of operations data dividing revenues between our previous human resources and financial software business and our current e-commerce business for the years indicated.

<TABLE>

<CAPTION>

	Year Ended December 31,			
	1997	1998	1999	
	(in thousands)			
	<C>	<C>	<C>	
Revenues: e-commerce				
License fees.....	\$ 0	\$ 211	\$ 9,969	
Services fees.....	0	59	1,515	
Total revenues.....	0	270	11,484	
Revenues: ERP				
License fees.....	13,506	17,161	5,132	
Services fees.....	12,482	24,209	21,526	
Total revenues.....	25,988	41,370	26,658	
Cost of revenues: e-commerce				
License fees.....	0	125	400	
Services fees.....	0	60	3,130	
Total cost of revenues.....	0	185	3,530	
Cost of revenues: ERP				
License fees.....	1,205	1,844	951	
Services fees.....	7,311	13,892	11,387	
Total cost of revenues.....	8,516	15,736	12,338	
Gross margin on e-commerce license fees.....	0	86	9,569	
Gross margin on e-commerce services fees.....	0	(1)	(1,615)	
Gross margin on ERP license fees.....	12,301	15,317	4,181	
Gross margin on ERP services fees.....	5,171	10,317	10,139	
Operating expenses:				
Research and development.....	6,690	6,335	9,003	
Purchased research and development.....	0	10,500	0	
Sales and marketing, exclusive of noncash sales				

and marketing expense.....	9,515	11,802	15,982
Noncash sales and marketing expense.....	0	0	1,930
General and administrative.....	3,161	5,126	6,241
Depreciation and amortization.....	1,406	2,154	3,399
Noncash general and administrative compensation expense.....	58	880	874
	-----	-----	-----
Total operating expenses.....	20,830	36,797	37,429
Operating loss.....	(3,358)	(11,078)	(15,155)
Gain on sale of ERP assets.....	0	0	9,417
Interest income, net.....	(274)	412	337
Minority interest.....	(478)	(36)	0
	-----	-----	-----
Net loss.....	\$(4,110)	\$(10,702)	\$ (5,401)
	=====	=====	=====

</TABLE>

Years Ended December 31, 1999 and 1998

Revenues

Total Revenues. Total revenues decreased 8.4% to \$38.1 million in 1999 from \$41.6 million in 1998. This decrease was attributable to decreases in both license fees and services fees.

E-commerce License Fees. License fees increased 4624.6% to \$10.0 million, or 86.8% of total e-commerce revenues, in 1999 from \$211,000, or 78.1% of total e-commerce revenues, in 1998. The increase in e-commerce license fees resulted from an increase in both the amount of software licensed and an increase in the average customer transaction size.

E-commerce Services Fees. Services fees increased 2467.8% to \$1.5 million from \$59,000 in 1998, but decreased as a percentage of total e-commerce revenues to 13.2% in 1999 from 21.9% in 1998. This increase is primarily attributable to stronger growth in license fees in 1999.

ERP License Fees. License fees decreased 70.1% to \$5.1 million, or 19.3% of total ERP revenues, in 1999 from \$17.2 million, or 41.5% of total ERP revenues, in 1998. The decrease in license fees was the result of reduced demand for our ERP products in 1999 and the sale of the ERP business in October 1999.

ERP Services Fees. Services fees decreased 11.1% to \$21.5 million in 1999 from \$24.2 million in 1998. ERP services fees increased to 80.7% of total ERP revenues in 1999 from 58.5% of total ERP revenues in 1998. The decrease in services fees was primarily due to reduced demand for our ERP services, as well as the sale of our ERP business. The increase as a percentage of total ERP revenues is attributable to a shift in revenue mix in 1999 due to the reduced demand for our ERP products.

Cost of Revenues

Total Cost of Revenues. Cost of revenues was constant between 1999 and 1998 at \$15.9 million, but increased as a percentage of total revenue to 41.6% in 1999 from 38.2% in 1998. The increase as a percentage of total revenues is primarily a result of the increase in the portion of the revenue mix represented by services fees, which historically have had a higher cost of revenue than license fees.

E-commerce Cost of License Fees. Cost of e-commerce license fees increased to \$400,000 in 1999 from \$125,000 in 1998. Cost of e-commerce license fees as a percentage of sales decreased to 4.0% of e-commerce license fees in 1999 from 59.2% in 1998. The increase in e-commerce cost of license fees is attributable to the sale of products introduced in 1999, components of which were licensed from third parties. The decrease as a percentage of revenue is directly attributable to the completion of the ELEKOM acquisition in November 1998, which eliminated the payment of royalties to ELEKOM for our e-procurement product.

E-commerce Cost of Services Fees. Cost of services fees increased 5116.7% to

\$3.1 million, or 206.6% of total e-commerce services fees, in 1999 compared to \$60,000, or 101.7% of total e-commerce services fees, in 1998. The increase in the cost of e-commerce services fees and the increase in e-commerce cost of services fees as a percentage of e-commerce services fee revenue was primarily attributable to an increase in personnel and related costs to provide implementation, training and upgrade services to both customers and partners.

ERP Cost of License Fees. Cost of ERP license fees decreased to \$951,000 in 1999 from \$1.8 million in 1998. This decrease in ERP cost of license fees was primarily due to lower ERP sales in 1999. The increase in ERP cost of license fees as a percentage of ERP license fee revenue is attributable to a revenue mix that included a greater portion of sales of products with third-party components.

ERP Cost of Services Fees. Cost of ERP services fees decreased to \$11.4 million in 1999 from \$13.9 million in 1998, and also decreased as a percentage of ERP services fees to 52.9% in 1999, as compared to 57.4% in 1998. The decrease is primarily attributable to higher utilization of services personnel in 1999 as compared to 1998.

Research and Development Expenses

Research and development expenses increased 42.1% to \$9.0 million, or 23.6% of total revenues, in 1999 from \$6.3 million, or 15.2% of total revenues, in 1998. Research and development expenses increased primarily due to increased personnel and contractor fees related to the development of our e-commerce products. We intend to continue to devote substantial resources toward research and development in the e-commerce area.

Sales and Marketing Expenses, Exclusive of Noncash Sales and Marketing Expenses

Sales and marketing expenses increased 35.4% to \$16.0 million, or 41.9% of total revenues, in 1999 from \$11.8 million, or 28.3% of total revenues, in 1998. The increase was primarily attributable to the additional sales and marketing personnel and promotional activities associated with building market awareness of our e-commerce products.

Noncash Sales and Marketing Expense

During 1999 we issued warrants to certain strategic partners, some of whom are also customers, in exchange for their participation in our sales and marketing efforts. We recorded the value of these warrants as a deferred sales and marketing expense of approximately \$12.1 million. Sales and marketing expenses in the fourth quarter of 1999 included amortization of approximately \$1.9 million related to these agreements. The remainder of the value of the warrants will be amortized over periods ranging from nine months to two years.

General and Administrative Expenses

General and administrative expenses increased 21.8% to \$6.2 million in 1999 from \$5.1 million in 1998. As a percentage of total revenues, general and administrative expenses increased to 16.4% in 1999 from 12.3% in 1998. The increase in general and administrative expenses was primarily attributable to increases in personnel, facilities and related costs. We believe that our general and administrative expenses will continue to increase in future periods to accommodate anticipated growth.

Depreciation and Amortization Expenses

Depreciation of tangible equipment and amortization of intangible assets increased 57.8% to \$3.4 million, or 8.9% of total revenues, in 1999, from \$2.2 million, or 5.2% of total revenues, in 1998. This increase in depreciation and amortization expense is due to the amortization of intangible assets acquired in the ELEKOM transaction and increases in capital expenditures.

Noncash General and Administrative Compensation Expense

Noncash compensation expense remained relatively constant at \$874,000, or 2.3% of total revenues, in 1999 as compared to \$880,000, or 2.1% of total

revenues, in 1998. In the fourth quarter of 1999, we recorded a compensation expense of \$706,000 for the accelerated vesting of certain employee stock options related to the sale of our human resources and financial software business. In the second quarter of 1998, we recorded a compensation expense of \$705,000 related to the accelerated vesting of certain employee stock options issued in the first quarter of 1998.

Interest Income

Interest income decreased 30.5% to \$442,000 in 1999, or 1.2% of total revenues, from \$636,000, or 1.5% of total revenues, in 1998. The decrease in interest income was primarily due to lower average levels of cash available for investment.

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Interest Expense

Interest expense decreased 53.1% to \$105,000 in 1999 from \$224,000 in 1998. This decrease is primarily due to lower average levels of debt in 1999 as compared to 1998.

Minority Interest

Minority interest was eliminated with the purchase of the 20% minority interest in our services subsidiary on February 5, 1998.

Income Taxes

As a result of the operating losses incurred since our inception, we have not recorded any provision or benefit for income taxes in 1999 and in 1998. See "Notes to Consolidated Financial Statements" included elsewhere herein.

Years Ended December 31, 1998 and 1997

Revenues

Total Revenues. Total revenues increased 60.2% to \$41.6 million in 1998 from \$26.0 million in 1997. This increase was attributable to substantial increases in license fees, services fees and maintenance fees.

License Fees. License fees increased 28.6% to \$17.4 million, or 41.7% of total revenues, in 1998 from \$13.5 million, or 52.0% of total revenues, in 1997. The increase in license fees resulted primarily from an increase in the number of licenses sold, and to a lesser extent, an increase in the average customer transaction size. The decrease as a percentage of total revenue was due to increased services and maintenance fees.

Services Fees. Services fees increased 111.6% to \$16.5 million, or 39.6% of total revenues, in 1998 from \$7.8 million, or 30.0% of total revenues, in 1997. The increase in services fees was primarily due to increased demand for professional services associated with an increase in the number of licenses sold.

Maintenance Fees. Maintenance fees increased 65.9% to \$7.8 million, or 18.7% of total revenues, in 1998 from \$4.7 million, or 18.0% of total revenues, in 1997. The increase in maintenance fees was primarily due to the signing of license agreements with new customers and the renewal of maintenance and support agreements with existing customers.

Cost of Revenues

Total Cost of Revenues. Cost of revenues increased 87.0% to \$15.9 million, or 38.2% of total revenues, in 1998 from \$8.5 million, or 32.7% of total revenues, in 1997. The increase in the cost of revenues was primarily due to an increase in personnel and related expenses and increased royalty expenses. The increase as a percentage of total revenues was primarily a result of the increase in the portion of the revenue mix represented by services fees, which historically have had a higher cost of revenue than license or maintenance fees.

Cost of License Fees. Cost of license fees increased to \$2.0 million, or

11.3% of total license fees, in 1998 compared to \$1.2 million, or 8.9% of total license fees, in 1997. The increase in the cost of license fees and the increase as a percentage of total license fees were primarily attributable to increases in royalty expenses on new products introduced in 1997 and 1998, components of which were licensed from third parties.

Cost of Services Fees. Cost of services fees increased 93.9% to \$10.4 million, or 62.8% of total services fees, in 1998 compared to \$5.3 million, or 68.6% of total services fees, in 1997. The increase in the cost of services fees was primarily attributable to an increase in personnel and related costs to provide

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implementation, training and upgrade services. Cost of services fees as a percentage of total services fees decreased due to increased utilization of services personnel.

Cost of Maintenance Fees. Cost of maintenance fees increased 82.4% to \$3.6 million, or 46.2% of total maintenance fees, in 1998 compared to \$2.0 million, or 42.0% of total maintenance fees, in 1997. The increase in the cost of maintenance fees was primarily due to an increase in personnel and related costs required to provide support and maintenance. Cost of maintenance fees as a percentage of total maintenance fees increased as we invested in personnel to support our maintenance customer base.

Research and Development Expenses

Research and development expenses decreased 5.3% to \$6.3 million, or 15.2% of total revenues, in 1998 from \$6.7 million, or 25.7% of total revenues, in 1997. Research and development expenses decreased primarily due to decreased personnel and contractor fees related to the effort required in 1997 to develop a significant product release that was substantially completed by September 1997. The decrease in research and development as a percentage of revenue for 1998 compared to 1997 is primarily due to the completion of the product release described above, coupled with the economies of scale realized through the growth in our revenues.

Purchased Research and Development

During the fourth quarter of 1998, we acquired ELEKOM Corporation, which strategically positioned us as a leader in the growing electronic procurement market. The consideration for the acquisition was approximately 1.4 million shares of our common stock and \$8.0 million in cash.

We initially expected to recognize a write-off for in-process research and development of \$14.0 million as a result of this acquisition. In response to recent SEC interpretative guidance, we adjusted our accounting for the acquisition-related in-process research and development charge. Accordingly, we reduced this write-off to \$10.5 million from the \$14.0 million write-off we anticipated recording in the fourth quarter of 1998. The \$3.5 million reduction in the write-off of the in-process research and development has been capitalized and will be amortized primarily over a ten-year period.

Sales and Marketing Expenses

Sales and marketing expenses increased 24.0% to \$11.8 million in 1998 from \$9.5 million in 1997. As a percentage of total revenues, sales and marketing expenses decreased to 28.4% in 1998 from 36.6% in 1997. The increase in expenses was primarily attributable to the costs associated with additional sales and marketing personnel and promotional activities. The decrease in sales and marketing expenses as a percentage of revenues for 1998 compared to 1997 reflects the higher productivity of our sales force.

General and Administrative Expenses

General and administrative expenses increased 62.2% to \$5.1 million in 1998 from \$3.2 million in 1997. As a percentage of total revenues, general and administrative expenses remained at 12.3% for 1998 and 1997. The increase in general and administrative expenses was primarily attributable to increases in personnel and related costs.

Depreciation and Amortization Expenses

Depreciation of tangible equipment and amortization of intangible assets increased 53.2% to \$2.2 million, or 5.2% of total revenues, in 1998, from \$1.4 million, or 5.4% of total revenues, in 1997. This increase in depreciation and amortization expense is due to increases in purchases of intangible assets, the ELEKOM acquisition and increases in capital expenditures resulting from our growth.

Noncash General and Administrative Compensation Expense

Noncash compensation expense increased to \$880,000, or 2.1% of total revenues, in 1998 compared to \$58,000, or 0.2% of total revenues, in 1997. This increase was primarily due to accelerated vesting, in the

second quarter of 1998, of certain employee stock options issued in the first quarter of 1998. These stock options were for approximately 283,000 shares of our common stock at exercise prices ranging from \$3.67 to \$8.00 per share. As a result of this accelerated vesting, we recognized, as noncash compensation, a noncash, non-recurring charge of approximately \$705,000. This charge represented the previously remaining unamortized deferred compensation recorded on these options.

Interest Income

Interest income increased to \$636,000 in 1998 from \$34,000 in 1997. On May 26, 1998, we completed an initial public offering of our common stock in which we sold 2.5 million shares, which resulted in net proceeds of approximately \$22.0 million. The increase in interest income was primarily due to the results of our investment of the funds from the initial public offering.

Interest Expense

Interest expense decreased 27.3% to \$224,000 in 1998 from \$308,000 in 1997. This decrease is primarily due to lower average levels of debt in 1998 as compared to 1997.

Minority Interest

Minority interest decreased 92.5% to \$36,000 in 1998 from \$478,000 in 1997. This decrease in minority interest is related to our purchase of the remaining 20% of our services subsidiary on February 5, 1998, which eliminated the minority interest related to our services subsidiary.

Income Taxes

As a result of the operating losses incurred since our inception, we have not recorded any provision or benefit for income taxes in 1998 and in 1997. See "Notes to Consolidated Financial Statements" included elsewhere herein.

Liquidity and Capital Resources

On May 26, 1998, we completed our initial public offering of 2.5 million shares of our common stock at an offering price of \$10.00 per share. The proceeds, net of expenses, from this public offering of approximately \$22.0 million were placed in investment grade cash equivalents. Our working capital position was \$16.8 million at December 31, 1999.

We believe that the proceeds from this follow-on offering will be adequate to provide for our capital expenditures and working capital requirements for the foreseeable future. Although operating activities may provide cash in certain periods, to the extent we experience growth in the future, our operating and investing activities will use significant cash.

Cash used in operating activities was approximately \$17.3 million during 1999. Cash used by operations during 1999 was primarily attributable to increases in accounts receivable, prepaid assets and other current assets and offset by an increase in deferred revenue. Cash used by operations during 1998 was primarily attributable to an increase in accounts receivable partially offset by an increase in accounts payable and accrued liabilities.

Cash provided by investing activities was approximately \$8.4 million during 1999. The cash provided by investing activities during 1999 was primarily attributable to the sale of our human resources and financial software business.

Cash provided by financing activities was approximately \$8.3 million during 1999, and the cash provided by financing activities was approximately \$20.8 million for 1998. The cash provided by financing activities during 1999 was primarily attributable to proceeds from a \$7.0 million loan from Transamerica Business Credit Corp., Silicon Valley Bank and Sand Hill Capital II, L.P. The cash provided by financing activities 1998 was primarily attributable to our initial public offering effective May 26, 1998.

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In March 1997, we entered into a loan agreement and a master leasing agreement for an equipment line of credit in the amount of \$1.0 million with a leasing company. The equipment line of credit bears interest at rates negotiated with each loan or lease schedule, generally 22.0% to 22.5%, and is collateralized by all of the equipment purchased with the proceeds of the equipment line of credit. As of December 31, 1999, there was no outstanding balance on the equipment line of credit.

We have a revolving working capital line of credit and equipment facility with Silicon Valley Bank. Borrowings outstanding under the line are limited to the lesser of \$8.0 million or 80% of our accounts receivable. Interest on the revolving credit facility is at the prime rate, and the interest on the equipment facility is at the prime rate plus 1.0%, and is collateralized by all of our assets. The line of credit and equipment term facility with Silicon Valley Bank were renewed in May 1999, and will expire in May 2000. As of December 31, 1999, neither the equipment facility nor the credit facility had an outstanding balance. As of December 31, 1999, we are unable to draw on the line of credit as a result of our sale of our human resources and financial software business that included a significant amount of the collateral in the form of accounts receivable. We are currently in negotiations with Silicon Valley Bank to amend the agreement.

On December 28, 1999, we borrowed a total of \$7.0 million from Transamerica Business Credit Corp., Silicon Valley Bank and Sand Hill Capital II, L.P. The loan bears interest at the prime rate plus 3.0% and is collateralized by all of our assets. The loan is due on the earlier of April 30, 2000, or the closing of this offering.

On October 18, 1999, we closed the sale of our human resources and financial software business to Geac. We received approximately \$14.5 million in proceeds, of which approximately \$2.9 million is being held in escrow. We recorded a gain in 1999 on the sale of this business of approximately \$9.4 million and will record the gain on the escrow at the time it is settled. In connection with the sale of this business, we accelerated the vesting on certain options. We recorded a one-time, noncash compensation charge of approximately \$706,000 during 1999 related to these options. Revenue from the human resources and financial software business for the years ended December 31, 1999, 1998 and 1997 were approximately \$26.7 million, \$41.4 million and \$26.0 million. We used approximately \$2.1 million of our proceeds to repay all of our indebtedness under our credit facility with Silicon Valley Bank and approximately \$300,000 to repay all of our indebtedness under our equipment facility with Leasing Technologies International, Inc.

We had net operating loss carryforwards of approximately \$28.7 million at December 31, 1999, which begin expiring in 2007. We established a valuation allowance equal to the net operating losses and all other deferred tax assets. We will record the benefits from these deferred tax assets when we realize them, which will reduce our effective tax rate for future taxable income, if any. Section 382 of the Internal Revenue Code limits our ability to benefit from certain net operating loss carryforwards, as we are deemed to have had an ownership change of more than 50%, as defined in Section 382. We may not realize certain net operating loss carryforwards in future years due to this limitation.

During 1999, we issued warrants to purchase 230,000 shares of our common stock at exercise prices ranging from \$10.00 to \$53.75 per share. These

warrants were issued to certain strategic partners in connection with sales and marketing agreements. We recorded the value of these warrants as a deferred sales and marketing expense of approximately \$12.1 million. Sales and marketing expenses in the fourth quarter of 1999 included amortization of approximately \$1.9 million related to these agreements. The remainder of the value of the warrants will be amortized over periods ranging from nine months to two years.

During 1999, we entered into an agreement with a third party to develop certain software that we intend to sell in the future. The compensation to this third party for these services will be in the form of warrants to purchase 50,000 shares of common stock at an exercise price of \$56.78 per share. The agreement requires the third party to reach certain milestones related to the software development in order to earn the warrants. We will record the issuance of the warrants at the time they are earned by the third party based on the fair value of the warrant on the date of the grant.

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During 1999, we entered into a reseller agreement that allows the reseller to license our products in a certain territory. We will receive minimum royalty amounts from the reseller and additional royalty amounts if certain minimum revenue requirements are exceeded. We will recognize this fee as the product is licensed to the end user. Additionally, the reseller has the ability to earn warrants to purchase up to 150,000 shares of our common stock if certain revenue targets are met. We will record the issuance of the warrants at the time they are earned by the reseller as a sales and marketing expense based on the fair value of the warrant on the date of grant.

NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board issued Statement of Financial Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In 1999, the Financial Accounting Standards Board issued Statement of Financial Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of Effective Date of FASB Statement No. 133." Statement of Financial Standards No. 133 is effective for our fiscal year ended December 31, 2001. We do not expect Statement of Financial Standards No. 133 to have a significant impact on our consolidated financial statements.

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BUSINESS

Overview

We develop, market and support an Internet-based business-to-business electronic commerce solution that automates the procurement and management of operating resources. Operating resources are the goods and services required to operate a company such as information technology, telecommunications and office equipment, professional services, maintenance, repair and operating supplies and travel and entertainment expenses. Our solution enables buyers to improve profitability by reducing processing costs associated with purchasing operating resources and by maximizing procurement economies of scale. Additionally, our solution benefits suppliers by reducing sales costs and providing the opportunity to increase revenues. Our solution also provides a framework to enable digital marketplaces, allowing companies to create trading communities and additional revenue opportunities. Our flagship product, Clarus eProcurement, has been licensed by customers such as First Data Corporation, MasterCard International, MetLife, Parsons Brinckerhoff, Perot Systems and The Container Store.

Our solution, based on a free trade model, provides a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. Our solution performs the value-added trading services delivered by centralized trading portals, while eliminating the transaction fees and scalability limitations of those portals. It is designed to integrate with third party enterprise resource planning solutions such as those provided by J.D. Edwards, Oracle, PeopleSoft and SAP. By providing real-time purchasing data analysis, our solution also facilitates proactive management and control of operating resources. Our solution is based on a flexible, open architecture and leverages leading e-commerce technologies and industry standards such as Microsoft's e-commerce platform and XML. We also

provide implementation and ongoing customer support services as an integral part of our complete procurement solution.

Industry Background

According to Killen & Associates, a leading Internet market research firm, operating resource expenditures are often the largest segment of corporate expenditures, representing approximately 33% of an average company's total revenues. Most organizations buy operating resources through paper-based or semi-automated processes. These processes are costly, time consuming and complex and often include the re-entry of information, lengthy approval cycles and significant involvement of financial and administrative personnel. These time consuming processes often result in fulfillment delays to end-users, leading to productivity losses. Beyond the time and expense associated with manual processing costs, organizations suffer even greater costs when they cannot fully leverage procurement economies of scale. Most organizations lack the systems that enable them to monitor purchases and compile data necessary to negotiate volume discounts with preferred suppliers. In addition, many organizations suffer from a problem known as "maverick buying," which occurs when personnel do not follow internal purchasing guidelines for purchases. When preferred suppliers are not used, organizations typically do not capture purchasing discounts.

Traditional procurement processes also result in missed revenue opportunities and additional costs to suppliers. When buyers are unable to channel purchases to preferred suppliers, these suppliers lose revenue. Suppliers also suffer from inefficient, error prone and manually intensive order fulfillment processes. Many suppliers dedicate significant resources to the manual entry of information from faxed or phoned-in purchase orders and the manual processing of paper checks, invoices and shipping notices. Suppliers also spend significant resources on customer acquisition and sales costs, including the production and distribution of paper catalogs. Without fully automated and integrated e-commerce technologies, both buyers and suppliers incur substantial extraneous costs in conducting commerce.

By automating the operating resource procurement process, buyers can significantly reduce processing costs and enhance overall productivity, as end-users can order and receive requested items more quickly and

with less effort. Automating the procurement process also lowers the overall costs of operating resources by enabling buyers to aggregate end-user purchases to maximize economies of scale. Additionally, because automating the procurement process minimizes end-user frustrations and facilitates the purchasing process, suppliers are likely to realize increased volume of orders and enhanced revenue opportunities. Automation also improves profitability for suppliers by reducing order processing and sales costs. With the adoption of the Internet as a business communication platform, organizations have begun to automate enterprise-wide and inter-organizational procurement activities. According to International Data Corporation, the worldwide market for Internet-based electronic procurement applications is expected to experience tremendous growth, increasing from approximately \$147 million in 1998 to approximately \$5.3 billion in 2003.

In addition to the growth in the electronic procurement market, the rapid formation of digital marketplaces is another important e-commerce trend. Enablers of digital marketplaces, or Internet market makers, provide a common trading hub that is specifically designed to enable multi-buyer/multi-seller interaction and collaboration. Digital marketplaces enable new methods of commerce such as online sourcing, dynamic pricing and negotiations. These marketplaces are emerging across a variety of industry sectors and support different business models and functions.

Most Internet-based procurement systems use a centralized trading portal through which all transactions must be effected. These portals typically charge transaction fees to either the buyer, the supplier or both. In addition to transaction fees, other potential disadvantages of the centralized trading portal model include decreased performance and reliability during times of heavy volume, disclosure of confidential trading data and vendor-controlled trade. Additionally, the rapid proliferation of digital marketplaces has created a significant need for an enabling software solution. As a result, we believe that there is a significant market opportunity for a comprehensive

solution that optimizes electronic procurement and the development of digital marketplaces.

Our Solution

We are a leading provider of Internet-based business-to-business electronic commerce applications that automate the procurement and management of operating resources. Our solution provides a framework to manage corporate procurement and enable digital marketplaces. Key elements of our solution include the following:

- . **Leveraged Network Model.** Our solution, based on a free trade model, provides a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. Our trading network, SupplierUniverse, performs the value-added trading services delivered by centralized trading portals, including content management and auction capabilities, while eliminating the transaction fees and scalability limitations of those portals. In addition, because procurement activity is not funneled through a single site, confidentiality and performance concerns are mitigated. We believe that the benefits of our leveraged network model will become increasingly compelling to customers seeking to reduce costs, improve operational efficiencies and develop new revenue opportunities.
- . **Integration with Existing Software.** Clarus Fusion is an XML-based integration framework that enables customers to quickly and easily integrate our electronic procurement application with existing enterprise resource planning systems. The integration of e-commerce solutions with enterprise resource planning software has traditionally been a challenging process given the complex and inflexible nature of custom implementations. Additionally, providers of e-commerce software solutions have had to address the problem of re-integrating the same products upon the release of a new version of their software or new versions of customers' enterprise resource planning systems. In contrast, Clarus Fusion provides a packaged integration solution by allowing links to be built to integrate our electronic procurement application with specific enterprise resource planning systems. We have developed Clarus Fusion Links for Oracle and Geac, and we

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are developing links to other major enterprise resource planning systems, including PeopleSoft, Epicor and J.D. Edwards.

- . **Zero Capital and Hosted Application Alternatives.** We have recently introduced a subscription-based zero capital model that will enable our customers to pay a monthly subscription fee for our software. We believe that our zero capital model will allow companies to realize a more rapid return on their investment by decreasing their up-front software expenditures and eliminate the challenges associated with capital budgeting. In addition, we have developed partnerships with application service providers who offer our customers a hosted software alternative as opposed to an on-site implementation. By leveraging these partnerships, customers can more rapidly and cost effectively deploy our solution while outsourcing the ongoing management and operation of our software. Through our zero capital model, we offer a broad range of businesses the opportunity to realize the benefits of our corporate procurement and digital marketplace solutions.
- . **Open Architecture.** Our solution is based on an open architecture and leverages leading electronic commerce technologies and industry standards such as Microsoft's e-commerce platform and XML. Our open architecture allows for maximum flexibility, scalability, ease of administration, lower infrastructure costs and rapid deployment.

Our Strategy

Our objective is to be a leading global provider of business-to-business e-commerce applications that automate the procurement and management of operating resources. The key elements of our strategy are as follows:

- . **Achieve Broad Market Penetration.** We have developed a multi-channel distribution strategy to encourage and support our strategy of achieving

widespread market penetration of our products. Our direct sales force targets large businesses. In addition, we market our solution to mid-sized businesses through a growing number of indirect channels, including application service providers, systems integrators and resellers. We also intend to achieve widespread acceptance of our procurement solution through our zero capital model.

- . Leverage Solution into Digital Marketplaces. We intend to continue to leverage our procurement technology into the rapidly emerging market for value added trading communities. Our approach is to provide the software that enables market makers to create their own digital marketplaces, not to actively own and operate the marketplaces. We intend to leverage our multi-channel distribution strategy to more rapidly accelerate the adoption of our solution as an enabler of digital marketplaces. In addition, we have dedicated significant resources to the continued development and delivery of our digital marketplace solution, and we intend to develop partnerships to increase the functionality of the solution.
- . Increase International Market Presence. We believe that there is a significant opportunity to establish Clarus as the leading provider of Internet-based procurement solutions in international markets. To capitalize on this opportunity, we are continuing to globalize our Clarus Commerce product suite and form strategic alliances with international partners to provide global distribution channels. We have formed a subsidiary in the United Kingdom to market our solution in Europe, the Middle East and Africa. We have also recently entered into partnerships with Perot Systems, a leading international systems integrator; Vesta Technologies, a leading Microsoft distributor in South America; Omega E-Commerce, a leading Microsoft distributor in Australia and New Zealand; and e-Vita, a systems integrator for e-business and knowledge management that services Norway, Sweden and Denmark.
- . Build Brand Awareness Through Strategic Alliances. To build awareness of the Clarus brand and the key differentiators of our solution, we are aggressively developing relationships with technology

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market leaders through our focused business development organization. With these strategic partners, we conduct various co-branded marketing campaigns involving print advertisements, participation in traditional and web-based seminars and presentations at trade shows. Our key strategic partners include Cisco Systems, Compaq, MasterCard, Microsoft and Perot Systems.

Products

Our Clarus Commerce solution includes an integrated suite of business-to-business e-commerce applications and an online trading network that together optimize the procurement and management of operating resources. Our solution enables buyers to improve profitability by reducing processing costs associated with purchasing operating resources and by maximizing procurement economies of scale. Additionally, our solution benefits suppliers by reducing sales costs and providing the opportunity to increase revenues. Our solution also provides a framework to enable digital marketplaces, allowing companies to create trading communities and additional revenue opportunities. Our Clarus Commerce suite of products and online trading network are based on a flexible, open architecture that leverages leading electronic commerce technologies and industry standards including Microsoft's e-commerce platform and XML. Our Clarus Commerce solution includes:

- . Clarus eProcurement;
- . Clarus SupplierUniverse;
- . Clarus Content Services;
- . Clarus Fusion;
- . Clarus View; and
- . Clarus eXpense.

Clarus eProcurement. Clarus eProcurement is an intranet-based business-to-business electronic commerce application that automates the procurement of operating resources. Clarus eProcurement connects end-users, approvers and purchasing professionals in a streamlined procurement process. Clarus eProcurement benefits employees by ensuring that they efficiently receive the appropriate operating resources at a favorable price from approved corporate suppliers. Clarus eProcurement relieves purchasing professionals of the burden of requisitioning, checking and consolidating, freeing them to enhance and expand supplier relationships. Orders can be placed with suppliers in a number of ways, including by facsimile, e-mail or electronic data interchange transfer. The key characteristics of Clarus eProcurement are:

- . User-friendly Interface. Because it requires only minimal training, our browser-based user interface promotes usage by all employees. The primary components of our user-friendly interface include:
 - Clarus eTour--delivers an innovative, multi-sensory online training experience that is an integral part of the application.
 - Navigator--offers an intuitive menu system that aids users in navigating the application with proactive directions and advice.
 - LaunchPath--consists of a graphical step-by-step process that leads users through procurement activity and provides shortcuts directly to a specific task.
 - SmartCursor--provides interactive, non-intrusive feedback for end-users as they navigate the application in the form of content-sensitive tips, help, directions and drop-down messages typically not available in browser-based applications.

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- QuickApproval--gives purchasing professionals a streamlined, intuitive means of rapidly performing approval duties from a single screen.
- . Adaptable Business Rules. Using Clarus ActivePolicy and its graphical capabilities, organizations can rapidly address changing business policies and organizational structures. Clarus ActivePolicy requires no programming and therefore reduces reliance on a company's information technology organization.
- . Access to Content. Clarus eProcurement provides collaborative content by supporting all types of catalog content-, buyer-, supplier- or aggregator-managed. Organizations can manage their own content or outsource the management, normalization and rationalization of their content. Users enjoy the same shopping experience regardless of the content source.

Clarus SupplierUniverse. Clarus SupplierUniverse consists of two components. First, SupplierUniverse.com manages buyer and seller trading profiles and provides centralized trading services such as managing requests for qualification and conducting reverse auctions. Second, a distributed XML-based software component resides on the buyer or application service provider site and executes Internet-based transactions directly between buyers and suppliers. It performs functions such as managing catalog content, translating orders and catalog formats and accessing supplier- and aggregator-managed content.

Clarus SupplierUniverse promotes a free trade environment through a direct Internet-based connection between buyer and supplier without requiring transactions to be executed through a centralized trading portal. Our solution performs all the value-added trading services delivered by centralized trading portals while eliminating the transaction fees and the scalability limitations of those portals. In addition, because procurement activity is not funneled through a single site, confidentiality and performance concerns are mitigated.

Clarus Content Services. We recently introduced Clarus Content Services, which is a comprehensive content management service that allows suppliers to outsource catalog management. This service, which we offer on a subscription basis through SupplierUniverse, delivers a scaleable content management

solution and accelerates deployment for suppliers without imposing transaction fees. Features of the service include normalization and rationalization of supplier content, Internet-based administration tools for catalog and contract updates, proactive buyer alerts for content and contract updates, spot buying and sourcing for new business opportunities and advanced search capabilities.

Clarus Fusion. To solve one of the most difficult problems customers face in automating the procurement of operating resources, Clarus Fusion quickly and easily integrates our electronic procurement application with major enterprise resource planning systems, including those provided by J.D. Edwards, Oracle, PeopleSoft and SAP. The key characteristics of Clarus Fusion are:

- . **Synchronization.** To ensure accuracy and achieve organizational efficiencies, organizations must synchronize the data in their e-commerce and enterprise resource planning systems. Clarus provides near real-time integration with enterprise resource planning systems using message-based technology.
- . **Reduced Cost of Ownership.** According to industry analysts, implementation and custom integration of e-commerce applications typically represent a majority of overall system ownership costs. Clarus Fusion is packaged enterprise resource planning integration software that eliminates the need for custom integration and dramatically reduces implementation costs.
- . **Ability to Adapt.** In a dynamic business environment and rapidly changing e-commerce market, organizations must adapt to change and exploit new advancements in e-commerce applications. Custom integration of an e-commerce application with an enterprise resource planning system inhibits organizations from upgrading to new releases of e-commerce applications without significant modification. Clarus Fusion provides an integration framework that couples the Clarus

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Commerce suite of products with multiple enterprise resource planning systems without the need for custom integration.

- . **Compatibility.** To ensure compatibility with existing and future applications, Clarus Fusion is XML-based and complies with the Open Application Group Integration Specification, a widely-accepted standard for integrating applications, and Biztalk, a Microsoft framework for e-commerce integration.
- . **Analytical Capabilities.** Unlike many traditional systems that lack an integration framework, Clarus Fusion offers an open framework that integrates data for both transactional and analytical purposes.

Clarus View. Clarus View provides built-in procurement analytics for purchasing professionals and business managers. The key characteristics of Clarus View are:

- . **Proactive Business Metrics.** Clarus View provides graphical, personalized key performance indicators of procurement and expense data on virtually a real-time basis. The application gives decision-makers the capability to modify, create and save views according to their needs. Using best practice key performance indicators for financial and commodity analysis and supplier performance, decision-makers can track current trends in metrics such as requisition amount, committed and uncommitted, average days to approval and fulfillment and expenditure on catalog versus non-catalog items.
- . **Real-time Expense Control.** Clarus View provides near real-time analysis and allows decision makers to access the most recent data on operating resources, pinpoint problem areas and make immediate adjustments.
- . **Rapid Implementation.** Clarus View is a pre-packaged analytical application that does not require the lengthy custom implementations or data warehousing initiatives normally associated with traditional data analysis projects.
- . **Open Solution.** Although Clarus View is a pre-packaged application, it has an open framework that integrates data from other sources within the

organization.

Clarus eXpense. Clarus eXpense is an application that automates employee expense reimbursement. It is designed to reduce travel and expense costs, accelerate the reimbursement cycle and improve employee satisfaction. The key characteristics of Clarus eXpense are:

- . Adaptable Workflow. Through Clarus ActivePolicy and situational routing, the system can easily adapt to changing business policies, organizational structures and business needs. Situational routing enhances flexibility by allowing expense reports or line items to be routed according to organizational needs.
- . Proactive Process Control. Clarus eXpense accelerates the reimbursement cycle by maintaining the flow of expense reports without compromising travel and expense policies.
- . Policy Control. Clarus eXpense's exception-based auditing promotes easy detection of employee travel and expense policy irregularities.
- . Built-in Best Practices. Clarus eXpense contains internally-developed, best practice policies for expense management. These policies are pre-packaged, eliminating lengthy development and implementation cycles.

Client Services

Our client services organization provides our customers with implementation services, training and support. This organization educates our customers on the strategy, methodology and functionality of our

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Clarus Commerce suite of products and implements our solution, on average, within four months. We typically offer our implementation services to customers on a time and materials basis. We also offer several packaged service offerings designed to provide low-risk, cost-efficient implementations for new customers. Additionally, we have developed relationships with systems integrators to augment the implementation efforts provided by our client services organization.

Our education services group provides product training to our customers and partners. We provide full classroom instruction for client project team members and for end-users. We also provide product training and certification for our implementation partners. We offer hands-on, instructor-led courses at our corporate training facility and may also conduct such courses at the customer's site. We also have a web-based, self-guided, multi-media tutorial geared for training large numbers of remote end-users. Our web-based training product can reduce the cost of deployment for large organizations. All of our courseware may be tailored to the customer's specific needs.

We have dedicated personnel within our client services organization to support our solution once implemented. We generally enter into a maintenance contract with our customers, renewable on an annual basis. Traditionally, customer service organizations log customer incident reports and requests for information manually, then circulate this information through the customer service organization to prioritize the information and determine an appropriate response. This manually intensive process of responding to customers is time consuming for both the customer service organization and the customer.

In contrast, our client services organization provides support for customers through various media that channel information to a single integrated customer relationship management system. We have a call center available to respond to customer inquiries, requests and incident reports. Customers may also access our client services organization at any time by using our Internet-based service, Total Care Direct. Using Total Care Direct, customers may log inquiries, requests and incident reports. By selecting options on the Total Care Direct web site, customers may accurately describe the nature and priority of the request. Total Care Direct then links directly to our ONYX customer service software and to our call center to route the information immediately to the appropriate members of our client services organization. Once the request has been submitted, customers may receive real-time status updates through Total Care Direct. This automated process allows our client services organization to respond to our customers quickly and efficiently. Through Total

Care Direct, customers may also receive answers to frequently asked questions, download product updates and participate in chat rooms with other customers.

Strategic Alliances and Relationships

To ensure that we deliver a comprehensive solution to our customers, in early 1999 we established a strategy and business development organization to develop strategic relationships with application service providers, systems integrators, resellers and other partners. These relationships further our strategy of rapidly deploying our business-to-business e-commerce solutions to a large number of organizations.

We have developed relationships with application service providers such as Cereus Technology Partners, Data Return, Interliant, Neoexpert and USInternetworking. These application service providers host our applications and allow us to offer our customers an alternative to the resource- and capital-intensive process of internally deploying and managing our applications.

In addition, we have developed relationships with regional, national and international systems integrators such as Deloitte & Touche and Perot Systems. These systems integrators implement our products and often assist us with sales lead generation. We have certified and trained approximately 50

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consultants in these organizations for the implementation and operation of our products. We expect that these partners will represent an increased percentage of our implementation services in the future. See "Risk Factors--Market adoption of our solution will be impeded if we do not continue to establish and maintain strategic relationships" (page 8).

We also have developed relationships with selected resellers such as Compaq and Perot Systems. By acting as a global sales and delivery channel, we believe these resellers will accelerate the use and deployment of our solution by distributing our Clarus Commerce suite of products to a broad range of organizations.

We have also developed relationships with digital market makers such as Lynxus and EBTech. These partners offer our products on business-to-business portal web sites. Because these partners create a community of smaller organizations that our direct sales force would not ordinarily target, we are able to expand our market opportunities.

We have been selected as the first corporate procurement vendor to participate in the hosted application solutions initiative recently announced by Cisco Systems and Microsoft. Cisco Systems and Microsoft will collaborate to provide application service providers with an end-to-end solution for deploying outsourced applications and services. Additionally, to build awareness of the Clarus brand, we are aggressively developing relationships with other technology market leaders. With these strategic partners, we conduct various co-branded marketing campaigns involving print advertisements, participation in traditional and web-based seminars and presentations at trade shows. In addition to Cisco Systems and Microsoft, other key strategic partners include Compaq, MasterCard and Perot Systems.

Customer Case Studies

The following case studies illustrate the business benefits that two of our customers are deriving from our Clarus Commerce suite of products.

MasterCard International. MasterCard International is a leader in the global credit and debit card industry. MasterCard implemented our solution in 1998 and has deployed it to approximately 1,100 employees. Through our solution, MasterCard has access to approximately 50,000 different operating resource items. By using our solution, MasterCard reduced its cost of processing purchase orders by approximately 15%. Our solution has provided MasterCard with valuable analysis and reporting capabilities, and MasterCard plans to continue its deployment of our solution to over 2,300 employees.

MetLife. Insurance and financial leader MetLife, has deployed Clarus eProcurement to over 2,000 users in over 900 locations to enable its employees

to requisition office supplies from contracted suppliers. MetLife conducted an extensive evaluation of leading electronic procurement solutions. We were able to demonstrate our ability to satisfy MetLife's key decision criteria, which included cost savings, corporate vision, ease of integration, technology risk and customer service. MetLife selected our solution based on expectations that it would reduce costs and because it provided a single requisition portal for ordering goods and services companywide and empowered MetLife's decision-makers with an interactive solution for proactively managing operating resources. Using our solution has enabled MetLife to streamline its purchasing process, improve its turnaround time for office supplies from two and a half days to one and reduce administrative support by 83%. Future goals include consolidating electronic platforms of existing purchasing systems and providing improved analytical data for use in vendor management.

Sales and Marketing

We sell our software and services through our direct sales force and a growing number of indirect channels. Our direct sales force, consisting of 35 sales professionals as of December 31, 1999, is organized geographically into four regions, each of which operates under the direction of a regional sales manager. Our sales professionals receive a base salary and earn commissions based on achieving quarterly and annual sales goals. We have also developed indirect channels to accelerate market adoption of our solution. These indirect channels include partnerships with application service providers, systems integrators, resellers and other partners. The sales cycle for our business-to-business e-commerce products averages four to nine months.

We have designed our marketing strategy to position us as a leading global provider of Internet-based business-to-business electronic commerce applications to automate the procurement and management of operational resources. In support of this strategy, we engage in a full range of marketing programs focused on creating awareness and generating qualified leads. These programs include developing and maintaining alliances with business partners such as MasterCard, Microsoft and Perot Systems. We participate in trade shows and seminars, use telemarketing campaigns, advertise in major periodicals and business publications and conduct direct mail campaigns. In addition, we maintain a web site, www.claruscop.com, that is integrated with our sales, marketing, recruiting and fulfillment operations.

Competition

The market for our products is highly competitive and subject to rapid technological change. In targeting the e-commerce market, we must compete with electronic procurement providers such as Ariba and Commerce One. We also anticipate competition from some of the large enterprise resource planning software vendors, such as Oracle and SAP, which have announced business-to-business electronic procurement solutions. A number of companies, including International Business Machines, have stated an interest in electronic procurement. In addition, we believe we will experience increased competition from travel and expense software companies, such as Concur and Extensity.

The principal competitive factors affecting our market include having a significant base of referenceable customers, breadth and depth of solution, a critical mass of buyers and suppliers, product quality and performance, customer service, architecture, product features, the ability to implement solutions and value of solution. We believe our solution competes favorably with respect to these factors. See "Risk Factors-- Competition from other electronic procurement providers may reduce demand for our products and cause us to reduce the price of our products" (page 8).

Research and Development

Our success depends in part on our ability to continue to meet customer and market requirements with respect to the functionality, performance, technology and reliability of our products. We invest, and intend to continue to invest, in our research and development efforts.

Our research effort focuses on identifying new and emerging technologies and engineering processes, especially with respect to Internet and intranet transaction processing. Our development effort focuses primarily on the product delivery cycle and our associated technologies and software life-cycle

processes. Our development teams consist of software engineering, documentation and quality assurance personnel who have extensive industry experience. Specific responsibilities of our development teams include:

- . enhancing functionality and performance within our product line;
 - . developing new products and integrating with strategic third-party products to strengthen our product line;
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- . updating our product line to remain current and compatible with new operating systems, databases and tools; and
 - . managing and continuously improving the overall software development process.

We proactively seek formal customer feedback through conferences, focus groups and surveys in order to enhance our products to meet changing business requirements. We are committed to developing new releases of our products to provide a highly functional, integrated solution.

Our research and development expenditures were approximately \$6.7 million, \$6.3 million and \$9.0 million for the years ended December 31, 1997, 1998 and 1999. All of our research and development expenditures in 1997 and substantially all of our research and development expenditures in 1998 were related to our enterprise resource planning business that we sold to Geac in October 1999. The majority of our research and development expenditures in 1999 were related to our e-commerce products.

As of December 31, 1999, we employed 62 research and development personnel. We have from time to time supplemented, and plan to continue to supplement, our research and development organization through outside contractors and consultants when necessary.

Proprietary Rights and Licensing

Our success depends significantly on our internally-developed intellectual property and intellectual property licensed from others. We rely primarily on a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures and license arrangements to establish and protect our proprietary rights in our software products.

We have no patents, and existing trade secret and copyright laws afford only limited protection of our proprietary rights. We have applied for registration for certain trademarks and will continue to evaluate the registration of copyrights and additional trademarks as appropriate. Because of the rapid pace of technological change in the software industry, we believe that the intellectual property protection of our products is a less significant factor in our success than the knowledge, abilities and experience of our employees, the frequency of our product enhancements, the effectiveness of our marketing activities and the timeliness and quality of our support services.

We enter into license agreements with each of our customers. Each of our license agreements provides for the customer's non-exclusive right to use the object code version of our products. Our license agreements prohibit the customer from disclosing to third parties or reverse engineering our products and disclosing our other confidential information. See "Risk Factors--Illegal use of our proprietary technology could result in substantial litigation costs and divert management resources" (page 11) and "--Claims against us regarding our proprietary technology could require us to pay licensing or royalty fees or to modify or discontinue our products" (page 11).

Employees

Our employees are based in the United States, Canada and the United Kingdom. As of December 31, 1999, we had a total of 192 employees, including 26 in client services, 13 in strategy and business development, 35 in sales, 21 in marketing, 62 in research and development and 35 in finance and administration.

None of our employees is represented by a labor union or is subject to a collective bargaining agreement. We have not experienced any work stoppages and

consider our relationship with our employees to be excellent.

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Facilities

Our corporate headquarters is located in Suwanee, Georgia, where we lease approximately 89,000 square feet. This location houses client services, strategy and business development, sales and marketing, research and development and finance and administration. We also lease executive suites, primarily for sales offices. We believe our facilities are adequate for future growth.

Legal Proceedings

We are subject to claims and litigation in the ordinary course of business. We believe that any pending claims and litigation will not have a material adverse effect on our consolidated financial position.

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MANAGEMENT

Executive Officers and Directors

Our executive officers and directors, positions held by them and their ages as of February 1, 2000 are as follows:

<TABLE>

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Name	Age	Position
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<S>	<C>	<C>
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Stephen P. Jeffery.....	44	Chairman, Chief Executive Officer and President
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Joseph E. Bibler.....	40	Vice President, Client Services
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Robert L. Clay.....	40	Vice President, Products
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William M. Curran, Jr....	37	Vice President, Sales
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Mark D. Gagne.....	39	Executive Vice President, Chief Financial Officer, Secretary and Treasurer
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Steven M. Hornyak.....	34	Vice President, Strategy and Business Development
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Julie K. Smith.....	39	Vice President, Marketing
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Norman N. Behar (1).....	37	Director
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Tench Coxe (2).....	42	Director
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Donald L. House (2).....	58	Director
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Mark A. Johnson (2).....	47	Director
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William S. Kaiser (1)...	44	Director
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Said Mohammadioun (1)...	52	Director
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(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

Stephen P. Jeffery joined us in November 1994 as Vice President of Marketing and was elected Vice President of Sales and Marketing in June 1995. He was elected President in October 1995, a director in October 1997, Chairman of the Board in December 1997 and Chief Executive Officer in February 1998. Prior to joining us, Mr. Jeffery was employed by Hewlett-Packard, where he served as the manager of Hewlett-Packard's client/server solutions and partner programs as well as in a variety of sales and marketing management positions in the United States and Europe for 15 years. Mr. Jeffery also served in sales with International Business Machines prior to joining Hewlett-Packard.

Joseph E. Bibler joined us in February 1997 as Vice President of our former services subsidiary and was elected President of our former services subsidiary in February 1998. In January 1999, he was elected as Vice President and is currently responsible for client services. Prior to joining us, Mr. Bibler spent 15 years with Andersen Consulting, most recently as an Associate Partner. At Andersen Consulting, he served in a variety of roles, including leading one of Andersen's regional software implementation practices.

Robert L. Clay joined us in October 1996 as Director of Product Marketing and became Assistant Vice President of Products in August 1999. Mr. Clay was elected Vice President of Products in December 1999. Prior to joining us, Mr.

Clay served in various positions from 1994 to 1996 with Attachmate, formerly DCA, most recently as Vice President of client/server and Internet products and Director of Product Marketing of client/server and Internet products.

William M. Curran, Jr. joined us in February 1996 as a Regional Sales Manager for our Southern region. In August 1997, Mr. Curran was elected Vice President of Sales for our Eastern region, and in January 1999, he was elected Vice President and is currently responsible for our entire sales organization. Prior to joining us, Mr. Curran was employed by Geac from November 1989 until February 1996 as a Senior Account Executive.

Mark D. Gagne joined us in January 2000 as Executive Vice President, Chief Financial Officer, Secretary and Treasurer. Prior to joining us, Mr. Gagne served from January 1997 to December 1999 as Chief Financial Officer, Treasurer and Chief Acquisitions Officer for BridgeStreet Accommodations, Inc.,

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which provides long-term lodging for corporate executives. From February 1992 to December 1995, Mr. Gagne served as Chief Financial Officer, Treasurer and Division Chief Operating Officer for CMG Information Systems, Inc., a developer and operator of Internet and direct marketing companies.

Steven M. Hornyak joined us in December 1994 as an Account Executive and was promoted to Regional Sales Manager for our Northeast region in 1996. In August 1997, Mr. Hornyak was elected Vice President of Marketing. In January 1999, Mr. Hornyak was elected as Vice President and is currently responsible for our strategy and business development organization. Prior to joining us, Mr. Hornyak served in a variety of sales and consulting roles for Oracle from June 1992 until December 1994. Mr. Hornyak served as a management consultant with PricewaterhouseCoopers from 1990 to 1992.

Julie K. Smith joined us in 1993 as a Senior Account Executive. She joined our marketing organization in May 1996 as Product Marketing Manager and was promoted to Director of Marketing Communications in September 1997. Ms. Smith was elected Vice President of Marketing in December 1999. Prior to joining us, Ms. Smith was employed by Oracle, where she served as an Application Sales Representative for the client/server applications. Ms. Smith also served in a variety of software sales and professional services positions with Dun & Bradstreet Software and Computron for 11 years.

Norman N. Behar has served as a member of our Board of Directors since January 1999. Mr. Behar has served as the President and Chief Executive Officer of employeesavings.com since July 1999. From November 1998 through March 1999, Mr. Behar served as Executive Vice President of Clarus CSA following our acquisition of ELEKOM. Mr. Behar was ELEKOM's President and Chief Executive Officer from January 1998 to November 1998. From January 1996 to December 1997, Mr. Behar was President and Chief Executive Officer of Catapult, a provider of personal computer training services. From April 1991 until December 1995, Mr. Behar was Chief Operating Officer of Catapult.

Tench Coxe has served as a member of our Board of Directors since September 1993. Mr. Coxe has served as a managing director of the general partner of Sutter Hill Ventures, a venture capital company located in Palo Alto, California, since 1989. Mr. Coxe also serves on the Boards of Directors of Alteon WebSystems, Copper Mountain Networks and Nvidia and on the Boards of Directors of several privately-held companies.

Donald L. House has served as a member of our Board of Directors since January 1993. Mr. House served as Chairman of our Board of Directors from January 1994 until December 1997 and as our President from January 1993 until December 1993. Mr. House also serves on the Board of Directors of eShare Technologies, where he serves as Chairman of its Audit Committee and as a member of its Compensation Committee, and serves on the Board of Directors of Carreker-Antinori, where he is a member of its Audit Committee. Mr. House also serves on the Board of Directors of several privately-held companies.

William S. Kaiser has served as a member of our Board of Directors since November 1992. Mr. Kaiser joined Greylock Management, a venture capital company located in Boston, Massachusetts, in 1986 and became a General Partner in 1988. Mr. Kaiser also serves on the Boards of Directors of Open Market, Red Hat, Student Advantage and several privately-held companies.

Mark A. Johnson has served as a member of our Board of Directors since July 1998. Mr. Johnson has served as the Vice Chairman of CheckFree, a supplier of financial e-commerce services, software and related products, since 1997. He also serves on the Board of Directors of CheckFree. From 1982 until 1997, Mr. Johnson served in various capacities with CheckFree, including as President in 1996 and as Executive Vice President of Corporate Development from 1990 until 1996.

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Said Mohammadioun has served as a member of our Board of Directors since March 1998. Mr. Mohammadioun has served as Chairman and Chief Executive Officer of Synchrologic since October 1996. From March 1995 until September 1996, he was a private investor in small technology companies. Mr. Mohammadioun was Vice President of Lotus Development from December 1990 until February 1995.

Our executive officers are elected by the Board of Directors and serve until their successors are duly elected and qualified. There are no family relationships among any of our executive officers or directors.

Our Board of Directors is divided into three classes, with the members of each class of directors serving for staggered three-year terms. Messrs. Cox and House serve in the class having a term that expires in 2000; Messrs. Jeffery and Mohammadioun serve in the class having a term that expires in 2001; and Messrs. Behar, Kaiser and Johnson serve in the class having a term that expires in 2002. Upon the expiration of the term of each class of directors, directors comprising the class of directors will be eligible to be elected for a three-year term at the next succeeding annual meeting of stockholders.

Our classified Board of Directors could have the effect of increasing the length of time necessary to change the composition of a majority of our Board of Directors.

Director Compensation

Directors who are not our employees currently include Messrs. Behar, Cox, House, Johnson, Kaiser and Mohammadioun. Directors who are not our employees do not receive an annual retainer or any fees for attending regular meetings of the Board of Directors. Our directors may participate in our 1998 Stock Incentive Plan. On January 28, 1999, Mr. Behar was granted an option to purchase 18,750 shares of our common stock at an exercise price of \$3.50 per share, and on May 27, 1999, he was granted an option to purchase 2,500 shares of our common stock at any exercise price of \$5.41 per share. In addition, on May 27, 1999, each of our other directors at that time, other than Mr. Behar and Mr. Jeffery, was granted options to purchase 7,500 shares of our common stock at an exercise price of \$5.41 per share.

Executive Compensation

The following table sets forth certain information regarding compensation earned by Stephen P. Jeffery, our Chief Executive Officer at December 31, 1999, and our four other most highly compensated executive officers who were serving as executive officers on December 31, 1999:

Summary Compensation Table

<TABLE>
<CAPTION>

Name and Principal Position	Long-Term Annual Compensation (1)		Compensation Awards (2)		All Other Compensation
	Year	Salary	Bonus	Securities Underlying Options Granted	
<S>	<C>	<C>	<C>	<C>	<C>
Stephen P. Jeffery.....	1999	\$225,666	\$ 93,257	110,000	--
Chairman, Chief	1998	240,672	129,843	112,499	--
Executive Officer	1997	160,417	(3) 77,192	75,000	--
and President					
Joseph E. Bibler.....	1999	209,027	158,376	20,000	--

Vice President, Client Services	1998	180,451	130,187	40,000	--
	1997	142,826	41,479	60,000	--
William M. Curran, Jr.....	1999	142,223	244,578	--	--
Vice President, Sales	1998	142,586	388,512	80,500	--
	1997	111,748	181,388	45,000	--
Steven M. Hornyak.....	1999	175,666	94,558	100,000	--
Vice President, Strategy and Business Development	1998	156,177	90,143	40,000	--
	1997	123,776	135,252	51,000	\$ 53,394 (4)
Arthur G. Walsh, Jr. (8)...	1999	94,917	30,563	6,000 (5)	202,433 (6)
Vice President, Chief Financial Officer and Secretary	1998	152,586	60,215	--	--
	1997	150,900	--	30,000 (7)	--

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- (1) In accordance with the rules of the Securities and Exchange Commission, the compensation set forth in the table does not include medical insurance, group life insurance or other benefits, securities or property that do not exceed the lesser of \$50,000 or 10% of the person's salary and bonus shown in the table.
- (2) We did not make any restricted stock awards, grant any stock appreciation rights or make any long-term incentive payments to our executive officers during 1999, 1998 or 1997. Options granted to the named executive officers, other than to Mr. Jeffery in February 1998, were granted at fair market value on the date of grant as determined by our Board of Directors.
- (3) Includes \$14,583 in deferred compensation earned in 1996.
- (4) Represents a one-time payment for relocation expenses.
- (5) These options were forfeited in July 1999.
- (6) Represents consulting fees and other payments.
- (7) Of these options, 22,500 were forfeited in July 1999.

- (8) Resigned as Vice President, Chief Financial Officer and Secretary in January 2000.

The following table sets forth all individual grants of stock options during 1999 to each of our named executive officers:

Option Grants in 1999

<TABLE>
<CAPTION>

Name	Individual Grants		Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)				
	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	5%	10%	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Stephen P. Jeffery.....	110,000	7.6%	\$ 5.41	5/27/06	\$ 242,265	\$ 564,582	
Joseph E. Bibler.....	20,000	1.4%	47.75	12/16/06	388,781	906,025	
William M. Curran, Jr...	--	--	--	--	--	--	
Steven M. Hornyak.....	15,000	1.0%	3.50	1/28/06	21,373	49,808	
	35,000	2.4%	5.56	4/29/06	79,222	184,620	
	50,000	3.5%	47.75	12/16/06	971,952	2,265,062	
Arthur G. Walsh, Jr.....	6,000	*	3.50	7/31/99 (3)	--	--	

* Less than 1%

- (1) All options were granted pursuant to our SQL 1992 Stock Plan or our 1998 Stock Incentive Plan at an exercise price not less than fair market value on the date of grant based on our closing sales prices as reported on the

Nasdaq National Market. Options granted prior to December 16, 1999, vest in installments over a period of four years with 20% of the options vesting 12 months from the date of grant, 40% vesting 24 months after the date of grant, 70% vesting 36 months after the date of grant and 100% vesting 48 months after the date of grant. Options granted on or after December 16, 1999, vest in forty-eight monthly installments. The options expire seven years after the date of grant.

(2) Amounts reported in this column represent hypothetical values that may be realized upon exercise of the options immediately prior to the expiration of their term, assuming that the stock price on the date of grant appreciates at the specified annual rates of appreciation, compounded annually over the term of the option. These numbers are calculated based on rules promulgated by the Securities and Exchange Commission.

(3) These options were forfeited on July 31, 1999.

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The following table provides information regarding options exercised and exercisable and unexercisable stock options held as of December 31, 1999, by each of the named executive officers.

Aggregated Option Exercises in 1999 And Year End Option Values

<TABLE>

<CAPTION>

Name	Number of Shares Acquired on Exercise	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In- the-Money Options at Fiscal Year End (2)	
		Number of Shares Acquired on Exercise	Dollar Value Realized (1)	Exercisable Unexercisable	Exercisable Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>
Stephen P. Jeffery.....	37,500	\$668,827	153,749	226,250	\$9,482,714 \$14,101,000
Joseph E. Bibler.....	3,000	32,640	26,000	88,000	1,576,900 4,452,750
William M. Curran, Jr.	44,600	533,727	--	95,900	-- 5,625,274
Steven M. Hornyak.....	15,510	144,781	20,000	164,490	1,202,920 7,751,047
Arthur G. Walsh, Jr.....	7,500	122,085	--	--	-- --

</TABLE>

(1) Dollar values were calculated based on the difference between the fair market value of the underlying common stock on the date of exercise and the exercise price per share.

(2) Dollar values were calculated determining the difference between the fair market value of the underlying securities at December 31, 1999, and the exercise price of the options.

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table provides information concerning beneficial ownership of our common stock as of December 31, 1999, by:

- . each stockholder that we know owns more than 5% of our outstanding common stock;
- . each of our named executive officers;
- . each of our directors;
- . all of our directors and executive officers as a group; and
- . each selling stockholder.

The following table lists the applicable percentage of beneficial ownership based on 11,525,681 shares of common stock outstanding as of December 31, 1999. The table also lists the applicable percentage of beneficial ownership based on 13,453,681 shares of common stock outstanding upon completion of this offering, assuming no exercise of the underwriters' overallotment option. Except where

noted, the persons or entities named have sole voting and investment power with respect to all shares shown as beneficially owned by them.

The second column shows separately shares which may be acquired by exercise of stock options or warrants within 60 days after December 31, 1999, by the directors and executive officers individually and as a group. These shares are included in the numbers shown in the first column. Shares of common stock which may be acquired by exercise of stock options or warrants are deemed outstanding for purposes of computing the percentage beneficially owned by the persons holding these options but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person.

<TABLE>

<CAPTION>

Name	Beneficial Ownership Before the Offering			Beneficial Ownership After the Offering		
	Number of Shares of Common Stock	Number of Shares Subject to Options or Warrants	Percentage of Common Stock	Shares to be Sold In the Offering	Number of Shares of Common Stock	Percentage of Common Stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>
HarbourVest Partners IV--Direct Fund L.P. (1).....	870,156	14,523	7.5%	--	870,156	6.5%
Greylock Limited Partnership (2).....	1,019,862	16,740	8.8%	--	1,019,862	7.6%
Stephen P. Jeffery.....	254,549	153,749	2.2%	15,000	239,549	1.8%
Joseph E. Bibler.....	37,832	26,832	*	5,000	32,832	*
Robert Clay.....	10,412	10,112	*	5,000	5,412	*
William M. Curran, Jr...	44,600	--	*	--	44,600	*
Steven M. Hornyak.....	42,392	26,882	*	10,000	32,392	*
Julie Smith.....	11,062	10,762	*	4,000	7,062	*
Arthur G. Walsh, Jr....	70,254	--	*	--	70,254	*
Norman N. Behar.....	301,918	34,375	2.6%	125,000	176,918	1.3%
Tench Coxe.....	120,939 (3)	13,932	1.0%	--	120,939	*
Donald L. House.....	89,374	13,125	*	--	89,374	*
Mark A. Johnson.....	33,075	24,375	*	--	33,075	*
William S. Kaiser.....	1,032,987 (4)	29,865	8.9%	--	1,032,987	7.7%
Said Mohammadioun.....	47,375	5,625	*	8,000	39,375	*
Directors and executive officers as a group (13 persons).....	2,096,769	349,634	17.7%	172,000	1,924,769	13.9%

</TABLE>

* Less than one percent.

- (1) Hancock Venture Partners, Inc. is the general partner of HarbourVest Partners IV--Direct Fund L.P. and Falcon Ventures II, L.P. Shares of our common stock beneficially held by Hancock Venture Partners, Inc. include 812,852 shares of our common stock and warrants to purchase 13,796 shares of our common stock held by HarbourVest Partners IV--Direct Fund L.P. and 42,781 shares of our common stock and warrants to purchase 727 shares of our common stock held by Falcon Ventures II, L.P. Hancock Venture Partners, Inc.'s address is One Financial Center, 44th Floor, Boston, Massachusetts 02111.
- (2) Mr. Kaiser, one of our directors, has voting control over our securities held by Greylock Limited Partnership. The managing partners of Greylock Limited Partnership are Robert P. Henderson and Henry McCance. Greylock Limited Partnership's address is One Federal Street, 28th Floor, Boston, Massachusetts 02110.
- (3) Includes 61,078 shares held individually by Mr. Coxe, 807 shares of our common stock issuable upon the exercise of a warrant held by Mr. Coxe and 45,929 shares held by Sutter Hill Ventures, a California Limited Partnership over which Mr. Coxe has sole voting and investment control.
- (4) Consists of shares held by Greylock Limited Partnership. Mr. Kaiser has voting control over our common stock held by Greylock Limited Partnership.

underwriters named below, through their representatives, Chase Securities Inc., Banc of America Securities LLC, U.S. Bancorp Piper Jaffray Inc. and Stephens Inc., have severally agreed to purchase from us and the selling stockholders the following numbers of shares of common stock:

<TABLE>
<CAPTION>

Underwriter	Number of Shares
-----	-----
<S>	<C>
Chase Securities Inc.....	
Banc of America Securities LLC.....	
U.S. Bancorp Piper Jaffray Inc.....	
Stephens Inc.....	
Total.....	

</TABLE>

The underwriting agreement provides that the obligations of the underwriters are subject to conditions that we and the selling stockholders must satisfy, including the receipt of certificates, opinions and letters from us, our counsel and our independent auditors. The underwriters are committed to purchase all shares of common stock offered in this prospectus if any shares are purchased.

The underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and to dealers at the public offering price less a concession not in excess of \$ per share. The underwriters may allow and the dealers may reallocate a concession not in excess of \$ per share to the other dealers. After the public offering of the shares, the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to 315,000 additional shares of common stock at the public offering price, less the underwriting discount set forth on the cover page of this prospectus. To the extent that the underwriters exercise this option, each underwriter will have a firm commitment to purchase a number of shares that approximately reflects the same percentage of total shares the underwriter purchased in the above table. We will be obligated to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of common stock offered in this prospectus.

The following table shows the per share and total public offering price, the underwriting discounts and commissions and the proceeds before expenses to us.

<TABLE>
<CAPTION>

	Total		

	Without	Over-	With Over-
	Over-	With Over-	With Over-
	Allotment	Allotment	Allotment
	Per Share	Option	Option
	-----	-----	-----
<S>	<C>	<C>	<C>
Public offering price.....			
Underwriting discounts and commissions.....			
Proceeds, before expenses, to Clarus.....			
Proceeds to selling stockholders.....			

</TABLE>

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$589,355.

The offering of the shares is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

We and the selling stockholders have agreed to indemnify the underwriters against liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect hereof.

We expect that the selling stockholders and our executive officers and directors, who will beneficially own in the aggregate approximately 1,924,769 shares of common stock after this offering, assuming the full exercise of the underwriters' over-allotment option, will agree that they will not, without the prior written consent of Chase Securities Inc. and subject to certain exceptions, offer, sell or otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock or securities exchangeable for or convertible into shares of common stock owned by them during the 90-day period following the date of this prospectus. We will agree that we will not, without the prior written consent of Chase Securities Inc. and subject to certain exceptions, offer, sell or otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock or securities exchangeable for or convertible into shares of common stock during the 90-day period following the date of this prospectus.

Our common stock is quoted on the Nasdaq National Market under the symbol CLRS.

In general, the rules of the Securities and Exchange Commission will prohibit the underwriters from making a market in our common stock during the "cooling off" period immediately preceding the commencement of sales in the offering. The Commission has, however, adopted exemptions from these rules that permit passive market making under certain conditions. These rules permit an underwriter to continue to make a market subject to the conditions, among others, that its bid not exceed the highest bid by a market maker not connected with the offering and that its net purchases on any one trading day not exceed prescribed limits. Pursuant to these exemptions, certain underwriters, selling group members, if any, or their respective affiliates intend to engage in passive market making in our common stock during the "cooling off" period.

Persons participating in this offering may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the common stock at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting of any purchase for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. A penalty bid means an arrangement that permits the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in syndicate covering transactions. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise. Stabilizing, if commenced, may be discontinued at any time.

EXPERTS

The consolidated financial statements and schedule as of December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, included in this prospectus and elsewhere in this registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

LEGAL MATTERS

Womble Carlyle Sandridge & Rice, PLLC, Atlanta, Georgia, will pass on the validity of the issuance of the shares of our common stock offered by this prospectus for us. Members of Womble Carlyle Sandridge & Rice, PLLC own an aggregate of 3,400 shares of our common stock. Powell, Goldstein, Frazer & Murphy LLP will pass on certain legal matters in connection with the offering for the underwriters.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Our fiscal year ends on December 31. We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information we file at the Securities and Exchange Commission's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. Our Securities and Exchange Commission filings are also available to the public from www.sec.gov.

INCORPORATION BY REFERENCE

The documents listed below are incorporated by reference into this prospectus and all documents that we file as required by Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus will be deemed to be incorporated by reference into this prospectus and to be a part of this prospectus from the date of filing of the following documents:

- . Our Current Report on Form 8-K dated December 28, 1999, filed on January 6, 2000; and
- . The description of our common stock, par value \$.0001 per share, contained in our registration statement on Form 8-A (Registration No. 000-29277), filed on May 18, 1998.

We will provide you, upon written or oral request and without charge, with a copy of any and all of the information, including exhibits, this prospectus incorporates by reference. Please direct all requests for this information, as well as any requests for additional information about us to:

Mark D. Gagne
Chief Financial Officer
Clarus Corporation
3970 Johns Creek Court
Suite 100
Suwanee, Georgia 30024

Telephone: (770) 291-8598

Fax: (770) 291-8595
www.claruscorp.com

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CLARUS CORPORATION AND SUBSIDIARIES

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</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Clarus Corporation:

We have audited the accompanying consolidated balance sheets of Clarus Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1998 and 1999 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clarus Corporation and subsidiaries as of December 31, 1998 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia

January 28, 2000

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CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 1998 and 1999

(In Thousands, Except Share and Per Share Amounts)

ASSETS

<TABLE>

<CAPTION>

	1998	1999
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 14,799	\$ 14,127
Accounts receivable, less allowance for doubtful accounts of \$401 and \$271 in 1998 and 1999, respectively.....	8,998	10,483
Deferred marketing expense, current.....	0	5,723
Prepays and other current assets.....	553	1,965
	-----	-----
Total current assets.....	24,350	32,298
	-----	-----
PROPERTY AND EQUIPMENT:		
Furniture and equipment.....	6,230	7,526
Leasehold improvements.....	351	875
	-----	-----
Total property and equipment.....	6,581	8,401
Less accumulated depreciation.....	(3,127)	(4,279)
	-----	-----
Property and equipment, net.....	3,454	4,122
	-----	-----
OTHER ASSETS:		
Deferred marketing expense.....	0	4,293

Investments.....	0	1,168
Intangible assets, net of accumulated amortization of \$1,967 and \$784 in 1998 and 1999, respectively.....	11,963	6,649
Deposits and other long-term assets.....	315	127
	-----	-----
Total other assets.....	12,278	12,237
	-----	-----
Total assets.....	\$ 40,082	\$ 48,657
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 7,417	\$ 6,420
Accounts payable--related party.....	9	0
Deferred revenue.....	7,397	3,081
Current maturities of long-term debt and capital lease obligations, net of debt discount of approximately \$980,000 as of December 31, 1999.....	526	6,046
	-----	-----
Total current liabilities.....	15,349	15,547

LONG-TERM LIABILITIES:

Deferred revenue.....	2,302	293
Long-term debt and capital lease obligations, net of current maturities.....	245	0
Other long-term liabilities.....	75	202
	-----	-----
Total liabilities.....	17,971	16,042

COMMITMENTS AND CONTINGENCIES (Note 11)

STOCKHOLDERS' EQUITY (deficit):

Preferred stock, \$1 and \$.0001 par value in 1998 and 1999, respectively; 5,000,000 shares authorized in 1998 and 1999.....	0	0
Common stock, \$.0001 par value; 25,000,000 shares authorized in 1998 and 1999; 11,002,508 and 11,600,68 shares issued in 1998 and 1999, respectively.....	1	1
Additional paid-in capital.....	61,393	63,953
Accumulated deficit.....	(38,721)	(44,122)
Warrants.....	40	13,055
Less treasury stock, 75,000 shares at cost.....	(2)	(2)
Deferred compensation.....	(600)	(270)
	-----	-----
Total stockholders' equity (deficit).....	22,111	32,615
	-----	-----
Total liabilities and stockholders' equity (deficit).....	\$ 40,082	\$ 48,657
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

F-3

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 1997, 1998, and 1999

(In Thousands, Except Per Share Amounts)

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES:			
License fees.....	\$13,506	\$ 17,372	\$15,101
Services fees.....	12,482	24,268	23,041
	-----	-----	-----
Total revenues.....	25,988	41,640	38,142
	-----	-----	-----

COST OF REVENUES:

[illegible]

stock options..	0	0	328	0	0	0	0	0	(328)	0
Amortization of deferred compensation...	0	0	0	0	0	0	0	0	58	58
Retirement of treasury stock.....	(735)	0	(300)	0	0	735	300	0	0	0
Exercise of stock options..	17	0	11	0	0	0	0	0	0	11
Net loss.....	0	0	0	(4,110)	0	0	0	0	0	(4,110)
<hr/>										
BALANCE, December 31, 1997.....	1,467	0	489	(28,019)	652	(75)	(2)	(612)	(418)	(27,910)
Issuance of common stock in initial public offering.....	2,500	0	21,962	0	0	0	0	0	21,962	
Issuance of stock in acquisition of ELEKOM Corporation....	1,391	0	7,615	0	0	0	0	0	0	7,615
Issuance of warrant and shares in acquisition of minority interest in Services Subsidiary.....	225	0	1,800	0	1,400	0	0	0	0	3,200
Conversion of preferred stock.....	4,788	1	25,262	0	0	0	0	0	0	25,263
Conversion of note payable for exercise of warrant.....	300	0	1,012	0	0	0	0	0	0	1,012
Exercise of warrants.....	132	0	2,012	0	(2,012)	0	0	612	0	612
Issuance of stock options..	0	0	1,062	0	0	0	0	0	(1,062)	0
Amortization of deferred compensation...	0	0	0	0	0	0	0	0	880	880
Exercise of stock options..	200	0	179	0	0	0	0	0	0	179
Net loss.....	0	0	0	(10,702)	0	0	0	0	0	(10,702)
<hr/>										
BALANCE, December 31, 1998.....	11,003	1	61,393	(38,721)	40	(75)	(2)	0	(600)	22,111
Exercise of warrants.....	26	0	13	0	(13)	0	0	0	0	0
Issuance of warrants.....	0	0	0	0	13,028	0	0	0	0	13,028
Accelerated vesting of stock options..	0	0	687	0	0	0	0	0	19	706
Cancellation of stock options..	0	0	(143)	0	0	0	0	0	143	0
Amortization of deferred compensation...	0	0	0	0	0	0	0	0	168	168
Exercise of stock options..	572	0	2,003	0	0	0	0	0	0	2,003
Net loss.....	0	0	0	(5,401)	0	0	0	0	0	(5,401)
<hr/>										
BALANCE, December 31, 1999.....	11,601	\$ 1	\$63,953	\$(44,122)	\$13,055	(75)	\$ (2)	\$ 0	\$ (270)	\$ 32,615

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1997, 1998, and 1999

(In Thousands)

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net loss.....	\$(4,110)	\$(10,702)	\$ (5,401)
	-----	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation.....	840	1,271	2,000
Amortization of intangible assets.....	566	883	1,399
Minority interest.....	478	36	0
Amortization of debt discount.....	18	77	0
Purchased research and development.....	0	10,500	0
Noncash sales and marketing expense.....	0	0	1,930
Noncash general and administrative compensation expense.....	58	880	874
Equity securities received with a license agreement.....	0	0	(1,168)
Gain on sale of financial and human resources software business.....	0	0	(9,417)
Loss on sale of property and equipment.....	46	0	138
Changes in operating assets and liabilities:			
Accounts receivable, net.....	(2,062)	(5,089)	(7,034)
Prepays and other current assets.....	(402)	(66)	(2,396)
Deposits and other long-term assets.....	23	(205)	248
Accounts payable and accrued liabilities.....	2,370	1,228	297
Deferred revenue.....	2,178	(617)	1,121
Other long-term liabilities.....	(14)	26	127
	-----	-----	-----
Total adjustments.....	4,099	8,924	(11,881)
	-----	-----	-----
Net cash used in operating activities.....	(11)	(1,778)	(17,282)
	-----	-----	-----
INVESTING ACTIVITIES:			
Purchase of ELEKOM Corporation, net of cash acquired.....	0	(8,450)	0
Purchases of property and equipment.....	(1,193)	(2,418)	(3,213)
Purchase of minority interest in consolidated subsidiary.....	0	(392)	0
Net proceeds from sale of financial and human resources software business.....	0	0	12,006
Proceeds from sale of property and equipment.....	10	0	48
Purchases of intangible software rights.....	(50)	(178)	(489)
	-----	-----	-----
Net cash (used in) provided by investing activities.....	(1,233)	(11,438)	8,352
	-----	-----	-----

</TABLE>

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)

For the Years Ended December 31, 1997, 1998, and 1999

(In Thousands)

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
FINANCING ACTIVITIES:			
Proceeds from issuance of redeemable convertible preferred stock.....	5,987	150	0
Proceeds from issuance of common stock in initial public offering.....	0	21,962	0
Proceeds from the exercise of options.....	11	179	2,001
Proceeds from notes payable and short-term borrowings.....	42,633	1,645	7,000
Repayments of notes payable and short-term borrowings.....	(43,201)	(3,505)	(743)
Proceeds from preferred stock bridge financing....	2,000	0	0
Repayment of preferred stock bridge financing....	(2,000)	0	0
Proceeds from exercise of warrants.....	0	612	0
Payments to holder of minority interest.....	0	(241)	0
Repayment of note receivable from holder of minority interest.....	38	0	0
Dividends paid to holder of minority interest....	(290)	0	0
	-----	-----	-----
Net cash provided by financing activities.....	5,178	20,802	8,258
	-----	-----	-----
CHANGE IN CASH AND CASH EQUIVALENTS.....	3,934	7,586	(672)
CASH AND CASH EQUIVALENTS, beginning of year.....	3,279	7,213	14,799
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$ 7,213	\$14,799	\$14,127
	=====	=====	=====
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Cash paid for interest.....	\$ 330	\$ 161	\$ 103
	=====	=====	=====
NONCASH TRANSACTIONS:			
Issuance of warrants to purchase 230,000 shares of common stock in connection with marketing agreements.....	\$ 0	\$ 0	\$12,046
	=====	=====	=====
Issuance of warrants to purchase 29,999 shares of common stock in obtaining bridge financing.....	\$ 0	\$ 0	\$ 982
	=====	=====	=====
Issuance of stock in the acquisition of ELEKOM Corporation (Note 1).....	\$ 0	\$ 7,615	\$ 0
	=====	=====	=====
Equity securities received with a license agreement.....	\$ 0	\$ 0	\$ 1,168
	=====	=====	=====
Issuance of 225,000 shares of common stock, warrants to purchase 300,000 shares of common stock, and note payable for purchase of the minority interest in consolidated subsidiary (Note 3).....	\$ 0	\$ 4,300	\$ 0
	=====	=====	=====
Conversion of preferred stock.....	\$ 0	\$25,262	\$ 0
	=====	=====	=====
Conversion of note payable for exercise of warrant.....	\$ 0	\$ 1,100	\$ 0
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Clarus Corporation (the "Company") develops, markets, and supports Internet-based business-to-business electronic commerce solutions that automate the procurement and management of operating resources. The Company markets its products under the trade name Clarus primarily in the United States and Canada. The Company operates in a single segment as defined by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure About Segments of an Enterprise and Related Information," and does not have significant operations in foreign locations.

Sale of Financial and Human Resources Software Business

On October 18, 1999, the Company sold its financial and human resources software business to Geac Computer Systems, Inc. and Geac Canada Limited for a total of approximately \$14.5 million, of which approximately \$2.9 million was placed in escrow. The Company recorded a gain in 1999 on the sale of the business of approximately \$9.4 million and will record the gain on the escrow at the time it is settled. In connection with the sale of this business, the Company accelerated the vesting on certain options. The company recorded a one time, non-cash compensation charge of approximately \$706,000 during 1999 related to these options. Revenue from the financial and human resources software business for the years ended December 31, 1997, 1998 and 1999 were approximately \$26.0 million, \$41.4 million, and \$26.7 million, respectively.

Completion of Initial Public Offering

On May 26, 1998, the Company completed an initial public offering (the "Offering") of 2.5 million shares at \$10 per share, resulting in net proceeds of approximately \$22.0 million.

On February 19, 1998, the Company's board of directors approved a three-for-two stock split on the Company's common stock to be effected in the form of a stock dividend. All share and per share data in the accompanying consolidated financial statements have been adjusted to reflect the split.

Acquisition of ELEKOM Corporation

On November 6, 1998, the Company completed its acquisition of ELEKOM Corporation ("ELEKOM") for approximately \$15.7 million, consisting of \$8.0 million in cash and approximately 1.4 million shares, valued at \$5.52 per share, of the Company's common stock. ELEKOM was merged with and into Clarus CSA, Inc., a wholly owned subsidiary of the Company, and the separate existence of ELEKOM ceased. The Company, as additional purchase price, recorded (i) payments of \$500,000 made to fund the operations of ELEKOM from October 1, 1998 through the closing date and (ii) expenses of approximately \$1.0 million to complete the merger. The Company allocated \$10.5 million of the purchase price to purchased in-process research and development. The remainder of the excess of the purchase price over the tangible assets acquired of approximately \$6.9 million was assigned to trade names, workforce, and goodwill and is being amortized over a period ranging from three months to ten years.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Minority interest represented the 20% ownership interest in the Company's majority-owned subsidiary, Clarus Professional Services, L.L.C. (the "Services Subsidiary") (Note 3).

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

Fair Value of Financial Instruments

The book values of cash and cash equivalents, trade accounts receivable, trade accounts payable, investments, and other financial instruments approximate their fair values principally because of the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for debt with similar terms and maturities. Under this method, the Company's fair value of financial instruments was not materially different from the stated value at December 31, 1998 and 1999.

Credit and Concentrations of Product Risk

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. Substantially all of the Company's product revenues are derived from sales of its Internet-based, business-to-business electronic commerce solutions. Increased market acceptance of the Company's product is critical to the Company's ability to increase sales and thereby sustain profitability. Any factor adversely affecting sales or pricing levels of these applications will have a material adverse effect on the Company's business, results of operations, and financial condition.

Revenue Recognition

The Company's revenue consists of revenues from the licensing of software and fees from consulting, implementation, training, and maintenance services. For the year ended December 31, 1997, the Company recognized software license revenue in accordance with the provisions of American Institute of Certified Public Accountants Statement of Position ("SOP") No. 91-1, "Software Revenue Recognition." Accordingly, software license revenue was recognized upon shipment of the software following execution of a contract, provided that no significant vendor obligations remain outstanding, amounts are due within one year, and collection is considered probable by management. If significant postdelivery obligations exist, the revenue from the sale of the software license, as well as other components of the contract, was recognized using percentage of completion accounting.

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

Effective January 1, 1998, the Company adopted SOP No. 97-2, "Software Revenue Recognition," that supersedes SOP No. 91-1, "Software Revenue Recognition." Under SOP No. 97-2, the Company recognizes software license revenue when the following criteria are met: (i) a signed and executed contract

is obtained, (ii) shipment of the product has occurred, (iii) the license fee is fixed and determinable, (iv) collectibility is probable, and (v) remaining obligations under the license agreement are insignificant. In the fourth quarter of 1999, certain of the Company's license contracts required the Company to provide the license to the software, upgrades, enhancements, training and other services over a period of time for a periodic fee. The revenue under these agreements is recognized over the period of the license arrangement as subscription fees. As of December 31, 1999, no significant revenue had been recognized under these agreements and the majority of the amount was recorded as deferred revenue as indicated below.

Revenues from services fees that are separately stated are recognized as the services are performed. Maintenance fees, which are included in services fees in the accompanying statement of operations, relate to customer maintenance and support and are recognized ratably over the term of the software support services agreement, which is typically 12 months.

Revenues that have been prepaid or invoiced but that do not yet qualify for recognition under the Company's policies are reflected as deferred revenues.

Deferred Revenues

Deferred revenues at December 31, 1997, 1998, and 1999, were as follows (in thousands):

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Deferred revenues:			
Deferred license fees.....	\$ 1,027	\$ 809	\$ 90
Deferred services and training fees.....	127	353	313
Deferred subscription fees.....	0	0	1,421
Deferred maintenance fees.....	9,043	8,537	1,550
	-----	-----	-----
Total deferred revenues.....	10,197	9,699	3,374
Less current portion.....	5,717	7,397	3,081
	-----	-----	-----
Noncurrent deferred revenues.....	\$ 4,480	\$2,302	\$ 293
	=====	=====	=====

</TABLE>

The Company has introduced in the past, and is expected to introduce in the future, product enhancements. As a result, deferred revenues resulting from contracts executed in a prior period are recognized in the quarter in which delivery of the new product occurs. This practice has, and will in the future, continue to cause fluctuations in revenues and operating results from period to period.

Property and Equipment

Property and equipment consist of furniture, computers, other office equipment, purchased software, and leasehold improvements. These assets are depreciated on a straight-line basis over a two-, five-, or seven-year life. Improvements are amortized over the term of the lease.

Product Returns and Warranties

The Company provides warranties for its products after the software is purchased for the period in which the customer maintains the Company's support of the product. The Company generally supports only

Company's license agreements generally do not permit product returns by its customers. The Company has not experienced significant warranty claims to date. Accordingly, the Company has not provided a reserve for warranty costs at December 31, 1997, 1998, and 1999.

Intangible Assets

Intangible assets include goodwill, workforce, and trade names and are being amortized on a straight-line basis over periods ranging from two to ten years.

Capitalized Software Development Costs

Internal research and development expenses are charged to expense as incurred. Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized in accordance with SFAS No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." The Company has defined technological feasibility as the point in time at which the Company has a working model of the related product. Historically, the internal development costs incurred during the period between the achievement of technological feasibility and the point at which the product is available for general release to customers have not been material. Therefore, the Company has charged all internal software development costs to expense as incurred for the three years ended December 31, 1999.

The Company has in the past, and may in the future, purchase or license software that may be modified and integrated with its products. If at the time of purchase or license, technological feasibility is met, the cost of the software is capitalized and amortized over a period not to exceed its useful life.

Impairment of Long-Lived and Intangible Assets

The Company periodically reviews the values assigned to long-lived assets, including property and other assets, to determine whether any impairments are other than temporary. Management believes that the long-lived assets in the accompanying balance sheets are appropriately valued.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the following as of December 31, 1997, 1998, and 1999 (in thousands):

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Accounts payable.....	\$ 973	\$2,105	\$2,094
Accrued compensation, benefits, and commissions.....	1,636	2,569	2,295
Accrued other.....	1,989	2,743	2,031
	-----	-----	-----
	\$4,598	\$7,417	\$6,420
	=====	=====	=====

</TABLE>

Net Loss Per Share

Net loss per share was computed in accordance with SFAS No. 128, "Earnings Per Share," using the weighted average number of common shares outstanding. Net loss per share does not include the impact of stock options, warrants, or convertible preferred stock, as their impact would be antidilutive. Diluted earnings per share is not presented, as the effects of these common stock equivalents were antidilutive.

Stock-Based Compensation Plan

The Company accounts for its stock-based compensation plan under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Effective in fiscal year 1996, the Company adopted the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires that companies which do not choose to account for stock-based compensation as prescribed by the statement shall disclose the pro forma effects on earnings and earnings per share as if SFAS No. 123 had been adopted.

New Accounting Pronouncement

In 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 133 is effective for the Company's fiscal year ending December 31, 2001. Management does not expect SFAS No. 133 to have a significant impact on the Company's consolidated financial statements.

Comprehensive Loss

Comprehensive loss for the years ended December 31, 1997, 1998, and 1999, is the same as net loss presented in the accompanying consolidated statements of operations.

Investments

During 1999, the Company licensed certain software to an unrelated company in exchange for a percentage interest in common stock of the unrelated company. This security is classified as an available-for-sale security under SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Therefore, any unrealized gains and losses are reported as a separate component of shareholders' deficit. During 1999, there was no unrealized gain or loss related to this investment.

2. RELATED-PARTY TRANSACTIONS

During the two years ended December 31, 1998, the Company engaged in a number of transactions with McCall Consulting Group, Inc. ("McCall Consulting Group") and Technology Ventures, L.L.C. ("Technology Ventures"), entities controlled by Joseph S. McCall, a shareholder and former director of the Company. In the opinion of management, the rates, terms, and considerations of the transactions with related parties approximate those with nonrelated entities.

Expenses relating to services provided by McCall Consulting Group were approximately \$1.6 million and \$220,000 for the two years ended December 31, 1998. Amounts owed related to services provided by McCall Consulting Group were approximately \$52,000 and \$9,000 as of December 31, 1997 and 1998, respectively. Expenses relating to services provided by Technology Ventures were approximately \$23,000 and \$2,000 for the two years ended December 31, 1997 and 1998. No services were provided in 1999.

In February 1998, the Company entered into an agreement with Mr. McCall whereby he resigned as the Company's chief executive officer and as chairman, chief executive officer, and manager of the Services Subsidiary. Mr. McCall remained an employee of the Company until the completion of the Offering, at which time he became a consultant to the Company for a period of one year pursuant to the terms of an independent contractor agreement. In recognition of past services to the Company, and resignations of certain positions noted above, the Company paid to Mr. McCall a lump sum of \$225,000 on June 30, 1998, and also agreed to pay Mr. McCall severance of \$75,000 payable over a one-year period. For his consulting

services, the Company paid Mr. McCall the sum of \$125,000 over the one-year period from the date of the Offering, with the ability to earn an additional \$100,000 in incentive compensation if certain revenue targets are met by the Company. The Company paid \$107,000 and \$124,000 to Mr. McCall under this consulting agreement during the years ended December 31, 1998 and 1999, respectively.

3. SERVICES SUBSIDIARY

On March 9, 1995, the Company issued 450,000 shares of common stock to acquire certain intellectual property rights and tangible assets valued at \$300,000 from Technology Ventures, a related party controlled by Mr. McCall. Subsequent to the acquisition, the Company and Technology Ventures formed a subsidiary, the Services Subsidiary, which was 80%-owned by the Company. The Company contributed the acquired intellectual property rights and tangible assets to the Services Subsidiary. Technology Ventures acquired the remaining 20% interest in the Services Subsidiary in exchange for a \$75,000 note bearing interest at 7.74%, payable annually, with the principal due in a lump-sum payment in March 2000. As of December 31, 1997, the note was reflected as a reduction of minority interest in consolidated subsidiary. The Services Subsidiary provided implementation services for the Company's software applications.

On February 5, 1998, the Company purchased Technology Ventures' 20% ownership in the Services Subsidiary for a purchase price of approximately \$4.5 million. In exchange for the 20% interest in the Services Subsidiary, the Company (i) issued 225,000 shares of common stock to Technology Ventures, (ii) granted Technology Ventures a warrant to purchase an additional 300,000 shares of common stock at a purchase price of \$3.67 per share, and (iii) agreed to pay Technology Ventures a monthly sum equal to 20% of the net profits of the Services Subsidiary until the earlier of the completion of the Offering or a sale of the Company. In addition, the Company agreed to pay Technology Ventures the sum of \$1.1 million upon exercise of the warrant, but not later than February 5, 2000, pursuant to a nonnegotiable, noninterest-bearing subordinated promissory note. The Company imputed interest on the note payable based on its original terms and recognized interest during the period the note was outstanding. In November 1998, the warrant was exercised and the note payable was surrendered as payment for the warrant exercise price. The remaining unamortized discount of \$89,000 on the note payable was reclassified to additional paid-in capital.

All of the material terms of the purchase and sale were agreed to by Technology Ventures and the Company in January 1998. The purchase and sale were accounted for in the first quarter of 1998 based on the value of the common stock issued in such transaction at \$8 per share. In February 1998, the Services Subsidiary also paid to Technology Ventures approximately \$33,000 as consideration for the termination of a management services agreement, entered into between the parties in March 1995, and Technology Ventures paid in full, to the Services Subsidiary, the remaining principal balance and all accrued interest due under its \$75,000 promissory note.

The purchase price was determined by including the following: (i) 225,000 shares of common stock at \$8 per share or \$1.8 million, (ii) a note payable of \$1.1 million discounted for interest at 9% for two years, resulting in a net note payable of \$934,000, (iii) cash paid of \$62,000, (iv) 20% of net profits, totaling \$330,000, for the period February 5, 1998, through the Offering, and (v) a warrant valued at \$1.4 million determined using the Black-Scholes model and using expected volatility of 65%, an expected term of two years, and a risk-free rate of 5.5% to determine a value per share of \$4.67 or a total value of \$1.4 million. The Company has accounted for the transaction using the purchase method of accounting. The purchase price has been allocated to assets acquired and liabilities assumed based on the fair market value at the date of acquisition. Goodwill resulting from the transaction is being amortized over 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

The Services Subsidiary had income of approximately \$2.4 million and \$179,000 for the year ended December 31, 1997 and for the period from January 1, 1998 to February 5, 1998, respectively. The Services Subsidiary distributed dividends of approximately \$1.4 million and \$486,000 during the year ended December 31, 1997 and during the period from January 1, 1998 to February 5, 1998, respectively, to the Company and the related-party minority interest holder. In 1999, the Services Subsidiary was merged into the Company.

4. PRO FORMA EFFECTS OF THE ELEKOM ACQUISITION

Unaudited pro forma operating results for the years ended December 31, 1997 and 1998, assuming that the acquisition of ELEKOM had occurred at the beginning of each year, are as follows (in thousands, except per share amounts):

<TABLE>

<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
Revenues.....	\$ 26,005	\$ 42,079
Pro forma net loss.....	(21,258)	(15,032)
Pro forma net loss per share.....	(7.66)	(2.01)

</TABLE>

5. INCOME TAXES

The Company files a consolidated tax return with its majority-owned subsidiaries. The components of the income tax provision (benefit) for the three years ended December 31, 1999 are as follows (in thousands):

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ 0	\$ 98	\$ 0
State.....	0	12	0
	-----	-----	-----
	0	110	0
	-----	-----	-----
Deferred:			
Federal.....	(1,287)	(98)	(1,473)
State.....	(241)	(12)	(173)
	-----	-----	-----
	(1,528)	(110)	(1,646)
Change in valuation allowance.....	1,528	110	1,646
	-----	-----	-----
Total.....	\$ 0	\$ 0	\$ 0
	=====	=====	=====

</TABLE>

The following is a summary of the items which caused recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the three years ended December 31, 1999:

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Tax benefit at statutory rate.....	(34.0)%	(34.0)%	(34.0)%
Effect of:			
State income tax, net....	(4.0)	(4.0)	(4.0)
Other.....	1.1	1.7	0.8
Nondeductible goodwill..	0.0	0.0	6.7
Nondeductible acquired research and			

development.....	0.0	37.3	0.0
Change in valuation allowance.....	36.9	(1.0)	30.5
	-----	-----	-----
Provision (benefit) for income taxes.....	0.0 %	0.0 %	0.0 %
	=====	=====	=====

</TABLE>

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

Deferred tax assets and liabilities are determined based on the difference between the financial accounting and tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1997, 1998, and 1999, are as follows (in thousands):

<TABLE>

<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Deferred tax assets:			
Net operating loss carryforwards.....	\$ 10,047	\$ 10,000	\$ 10,900
Allowance for doubtful accounts.....	128	153	103
Depreciation and amortization.....	326	211	219
Noncash compensation.....	0	0	733
Accrued liabilities.....	110	141	9
Other.....	3	0	0
	-----	-----	-----
	10,614	10,505	11,964
Deferred tax liabilities:			
Services Subsidiary.....	(181)	(182)	0
Amortization of purchased software.....	(5)	(5)	0
	(186)	(187)	0
Net deferred tax assets before valuation allowance.....	10,428	10,318	11,964
	-----	-----	-----
Valuation allowance.....	(10,428)	(10,318)	(11,964)
Net deferred tax assets.....	\$ 0	\$ 0	\$ 0
	=====	=====	=====

</TABLE>

During 1998, the Company used \$110,000 of the net operating loss carryforwards to cover current income taxes payable. The Company reversed the valuation allowance on the net operating loss carryforwards that were used and set up a valuation allowance for the deferred tax assets created during the year. A valuation allowance is provided when it is determined that some portion or all of the deferred tax assets may not be realized. Accordingly, since it currently is more likely than not that the net deferred tax assets resulting from the remaining net operating loss carryforwards ("NOLs") and other deferred tax items will not be realized, a valuation allowance has been provided in the accompanying consolidated financial statements as of December 31, 1998 and 1999. The Company established the valuation allowance for the entire amount of the deferred tax assets attributable to the NOL carryforwards as well as for the net deferred tax assets created as a result of temporary differences between book and tax. The Company will recognize such income tax benefits when realized. The NOLs at December 31, 1999, were approximately \$28.7 million and will expire at various dates through 2019.

The Company's ability to benefit from certain NOL carryforwards is limited under Section 382 of the Internal Revenue Code as the Company is deemed to have had an ownership change of more than 50%, as defined. Accordingly, certain NOLs may not be realizable in future years due to the limitation.

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

6. DEBT

The Company's short- and long-term debt consists of the following as of December 31, 1998 and 1999 (in thousands):

<TABLE>

<CAPTION>

	1998	1999
	----	-----
<\$>		<C> <C>
Note payable, payable the earlier of April 30, 2000 or the completion of a secondary offering of the Company's common stock, secured by substantially all the assets of the Company, interest at prime (11.5% at December 31, 1999) plus 3%, net of discount of approximately \$980 as of December 31, 1999.....	\$ 0	\$6,018
Equipment notes payable to a leasing company, paid in 1999....	465	0
Line-of-credit agreement with a bank, paid in 1999.....	150	0
Note payable to a financing company, payable in monthly installments of approximately \$2 through November 2000, secured by certain company assets, bearing interest at 8%....	33	16
Capital lease obligations.....	123	12
	----	-----
	771	6,046
Less current portion of long-term debt.....	526	6,046
	----	-----
	\$245	\$ 0
	=====	=====

</TABLE>

The Company has a line-of-credit agreement with a bank bearing interest at prime. The line-of-credit agreement provides for maximum borrowings not to exceed the lesser of \$8.0 million or 80% of eligible accounts receivable. Additionally, the Company has an equipment line agreement with a bank bearing interest at prime plus 1.0%. The equipment line agreement provides for borrowings not to exceed \$1.0 million. Borrowings under these agreements are collateralized by substantially all the Company's assets. The Company had no amounts outstanding under the line of credit or equipment line at December 31, 1999. The line of credit and equipment term facility will expire in May of 2000. As of December 31, 1999, the Company is unable to draw on the line of credit given the fact that the Company sold its financial and human resources software business that included a significant amount of the collateral in the form of accounts receivable. The Company is currently in negotiations to amend the agreement.

In 1999, the Company entered into financing agreements for \$7,000,000. The amount is payable on the earlier of April 30, 2000 or the completion of a secondary offering of the Company's common stock. In connection with the financing, the Company issued warrants to purchase 29,999 shares of common stock at an exercise price of \$53.69 per share. The Company recorded the value of the warrants of approximately \$980,000 as debt discount to be amortized to interest expense over the life of the bridge financing. Additionally, if the Company does not make the repayment required on April 30, 2000, additional warrants will be issued for 1,000 shares for each day subsequent to April 30, 2000 that the debt remains unpaid. In connection with this agreement, the Company paid approximately \$700,000 in debt issuance costs that will be amortized over the term of the loan agreement. These costs are included in prepaids and other current assets in the accompanying consolidated balance sheet.

7. ROYALTY AGREEMENTS

The Company is a party to royalty and other equipment manufacturer agreements for certain of its applications. The Company incurred a total of approximately \$1.1 million, \$1.8 million, and \$1.3 million

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

in royalty fees for the years ended December 31, 1997, 1998, and 1999, respectively, pursuant to these agreements. The royalty fees paid are included in cost of revenues-license fees in the accompanying consolidated statements of operations.

8.EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) Plan (the "Plan"), a defined contribution plan covering substantially all employees of the Company. Under the Plan's deferred compensation arrangement, eligible employees who elect to participate in the Plan may contribute between 2% and 20% of eligible compensation, as defined, to the Plan. The Company, at its discretion, may elect to provide for either a matching contribution or discretionary profit-sharing contribution or both. The Company did not make matching or discretionary profit-sharing contributions to the Plan during the three years ended December 31, 1999.

9.STOCK OPTION PLAN

The Company has a stock option plan for employees, consultants, and other individual contributors to the Company which enables the Company to grant up to approximately 1.6 million qualified and nonqualified incentive stock options (the "1992 Plan"). The qualified options are to be granted at an exercise price not less than the fair market value at the date of grant. The nonqualified options are to be granted at an exercise price of not less than 85% of the fair market value at the date of grant. The compensation committee determines the period within which options may be exercised, but no option may be exercised more than ten years from the date of grant. The compensation committee also determines the period over which the options vest. Options are generally exercisable for seven years from the grant date and generally vest over a four year period from the date of grant.

The stock option plan also provides for stock purchase authorizations and stock bonus awards. As of December 31, 1999, no such awards have been granted under the plan.

The Company adopted the 1998 Stock Incentive Plan (the "1998 Plan") in the first quarter of 1998. Under the 1998 Plan, the board of directors has the flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees of the Company or its subsidiaries or consultants. The 1998 Plan provides for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and restricted units. The Company has authorized and reserved for issuance an aggregate of 1.5 million shares of common stock for issuance under the 1998 Plan. The aggregate number of shares of common stock that may be granted through awards under the 1998 Plan to any employee in any calendar year may not exceed 200,000 shares. The 1998 Plan will continue in effect until February 2008 unless sooner terminated.

Total options available for grant under the 1992 Plan and the 1998 Plan as of December 31, 1999 were 189,898.

The Company applies the principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its Plan. Accordingly, the Company recognizes deferred compensation when the exercise price of the options granted is less than the fair market value of the stock at the date of grant, as determined by the board of directors. The deferred compensation is presented as a component of equity in the accompanying consolidated balance sheets and is amortized over the periods expected to be benefited, generally the vesting period of the options.

CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

During 1997 and 1998, the Company granted options with exercise prices below the fair market value at the date of grant. Accordingly, the Company recorded deferred compensation of approximately \$328,000 and \$1.1 million for options granted during the years ended December 31, 1997 and 1998, respectively. The Company amortizes deferred compensation over four years, the vesting period of the options. The Company amortized to compensation expense \$58,000, \$880,000, and \$874,000 of the deferred compensation related to these option grants for the years ended December 31, 1997, 1998, and 1999, respectively. The compensation expense for 1998 and 1999 includes the effect of the Company's acceleration of vesting on certain options that were issued in the first quarter of 1998 and third quarter of 1999. The Company recorded compensation expense of approximately \$705,000 in 1998 related to this acceleration. Additionally, in 1999, upon the sale of its financial and human resources software business, the Company accelerated the vesting on options to certain employees. As a result of the acceleration of vesting, the Company recorded a noncash, nonrecurring charge of approximately \$706,000 for the year ended December 31, 1999, representing the value of the options on the date of the acceleration and the removal of the remaining unamortized deferred compensation of approximately \$19,000.

A summary of changes in outstanding options during the three years ended December 31, 1999 is as follows:

<TABLE>

<CAPTION>

	Shares	Weighted Average Exercise Price	Price
<S>	<C>	<C>	<C>
December 31, 1996.....	786,437	\$0.67-\$ 1.00	\$ 0.81
Granted.....	802,295	\$1.00-\$ 3.67	\$ 2.96
Canceled.....	(212,280)	\$0.67-\$ 3.67	\$ 0.93
Exercised.....	(16,812)	\$0.67-\$ 1.00	\$ 0.68
December 31, 1997.....	1,359,640	\$0.67-\$ 3.67	\$ 2.07
Granted.....	1,071,322	\$3.67-\$10.00	\$ 7.29
Canceled.....	(147,413)	\$0.67-\$10.00	\$ 3.16
Exercised.....	(199,546)	\$0.67-\$ 3.67	\$ 0.90
December 31, 1998.....	2,084,003	\$0.67-\$10.00	\$ 4.79
Granted.....	1,436,320	\$3.50-\$62.00	\$15.50
Canceled.....	(802,991)	\$0.67-\$18.88	\$ 5.48
Exercised.....	(572,318)	\$0.67-\$12.06	\$ 3.50
December 31, 1999.....	2,145,014	\$0.67-\$62.00	\$12.05
Vested and exercisable at December 31, 1999.....	525,845		

</TABLE>

Statement of Financial Accounting Standards No. 123

For SFAS No. 123 purposes, the fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

<TABLE>

<CAPTION>

	1997	1998	1999
<S>	<C>	<C>	<C>
Dividend yield.....	0%	0%	0%

Expected volatility.....	65	65	60
Risk-free interest rate at the date of grant.....	5.78%-6.82%	4.10%-5.68%	4.64%-6.38%
Expected life.....	Four years	Four years	Four years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 1997, 1998, and 1999, are approximately \$699,000, \$2.2 million, and \$6.0 million respectively,

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

which would be amortized over the vesting period of the options. Had compensation cost been determined consistent with the provisions of SFAS No. 123, the Company's pro forma net loss and net loss per share in accordance with SFAS No. 123 for the three years ended December 31, 1999, would have been as follows (in thousands, except per share amounts):

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Net loss:			
As reported.....	\$(4,110)	\$(10,702)	\$(5,401)
Pro forma in accordance with SFAS No. 123.....	(4,269)	(11,009)	(6,275)
Basic and diluted net loss per share:			
As reported.....	\$ (2.97)	\$ (1.70)	\$ (0.49)
Pro forma in accordance with SFAS No. 123.....	(3.08)	(1.74)	(0.57)

Because SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that expected in future years.

The following table summarizes the exercise price range, weighted average exercise price, and remaining contractual lives by year of grant for the number of options outstanding as of December 31, 1999:

Year of Grant	Exercise Number of Shares	Weighted Average Price Range	Weighted Average Price	Remaining Contractual Life (Years)
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Prior to 1997.....	152,268	\$0.67-\$ 1.00	\$ 0.94	3.71
1997.....	313,517	\$1.00-\$ 3.67	\$ 3.29	4.75
1998.....	496,700	\$3.67-\$10.00	\$ 7.68	5.36
1999.....	1,182,529	\$3.50-\$62.00	\$17.63	6.52
Total.....	2,145,014			

The weighted average grant date fair value of options granted during the years ended December 31, 1997, 1998, and 1999, was \$3.04, \$7.33, and \$17.63 respectively.

Subsequent to December 31, 1999, the Company granted options to purchase 190,200 shares of common stock at exercise prices ranging from \$35.00 to \$79.56 per share.

10.STOCKHOLDERS' EQUITY

Preferred Stock

After the Offering, the Company is authorized to issue 5.0 million shares of preferred stock. In connection with the Offering, the original preferred stock outstanding on the date of the Offering was converted to approximately 4.8 million shares of common stock.

Each share of preferred stock was convertible at the option of the holder at any time into the number of common shares which resulted from the effective conversion rate, as defined. Prior to the Offering, the Company's certificate of incorporation provided that the preferred stock would automatically convert at defined conversion rates if the Company consummated an initial public offering with a price per share and gross proceeds in excess of defined thresholds. In 1998, the Company obtained waivers from the preferred stockholders eliminating the requirement that the initial public offering price and the gross proceeds from

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

an initial public offering be at a defined threshold in order for the conversion of the preferred stock to be effected immediately upon an initial public offering.

Series F Preferred Stock

On June 5, 1997 and August 5, 1997, the Company received advances on a pending equity financing arrangement. The Company issued convertible promissory notes to certain existing preferred stockholders totaling approximately \$2.0 million and bearing interest at a rate of 8.5%. The notes were convertible upon the consummation of a private equity offering providing gross proceeds in excess of defined thresholds. In connection with the issuance of the notes, the Company issued warrants to the above parties as discussed below. On September 27, 1997, the Company issued 416,668 shares of Series F preferred stock to third-party investors for \$9.60 per share. Upon issuance of Series F preferred stock to the third-party investors, the aforementioned convertible notes and accrued interest were converted to 212,141 shares of Series F preferred stock at \$9.60 per share. Gross proceeds before stock issuance costs were approximately \$6.0 million. Stock issuance costs of \$50,000 were incurred.

Warrants

In July 1995, the Company issued a warrant to purchase 87,500 shares of Series C preferred stock to Technology Ventures for an exercise price of \$7 per share. Additionally, the Company had a note payable to Technology Ventures for the same amount as the exercise price. The warrant was exercised in 1998 for common stock, and the related note receivable was eliminated as the payment of the exercise price.

On January 24, 1995, the Company issued warrants to preferred stock investors to purchase 17,544 shares of Series D convertible preferred stock at a price of \$8.55 per share. These warrants were exercised for common stock in February 1998.

On March 28, 1997, the Company entered into an agreement with a bank to amend its working capital line of credit. As part of the agreement, the Company granted the bank a warrant to purchase 13,082 shares of common stock at \$5.73 per share. The warrant was exercised in 1999.

In connection with the sale of the Series F preferred stock noted above, the Company issued warrants to purchase 70,232 shares of common stock at a price of \$6.40 per share. The value of the warrants of \$40,000 was recorded as a debt discount and was to be amortized over the period in which the convertible notes were outstanding. For the year ended December 31, 1997, the Company amortized \$18,000 of the discount to interest expense. The debt was converted to preferred stock in 1997, and the remaining unamortized debt discount was

reclassified to additional paid-in capital. As of December 31, 1999, 47,480 of these warrants remain outstanding.

In connection with the financing discussed in Note 6, the Company issued warrants to purchase 29,999 shares of common stock at an exercise price of \$53.69 per share.

During 1999, the Company issued warrants to purchase 230,000 shares of common stock of the company at exercise prices ranging from \$10.00 to \$53.75 per share. These warrants were issued to certain strategic partners in exchange for the agreement to be a party to a sales and marketing agreement between the Company and the strategic partner. The Company recorded the value of these warrants based on the fair value as determined by the Black-Scholes valuation model of approximately \$12.1 million in 1999 as a deferred sales and marketing expense in the accompanying consolidated balance sheet. The Company amortized to sales and marketing expense approximately \$1.9 million related to these agreements in the fourth quarter of 1999. The remainder of the value of the warrants will be amortized over periods ranging from 9 months to two years.

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

During 1999, the Company entered into an agreement with a third party to develop certain software that the Company intends to sell in the future. The compensation to this third party for these services will be in the form of warrants to purchase 50,000 shares of common stock at an exercise price of \$56.78 per share. The agreement requires the third party to complete certain milestones related to the software development in order to earn the warrants. The Company will record the issuance of the warrants at the time they are earned by the third party based on the fair value of the warrant on the date of grant.

During 1999, the Company entered into a reseller agreement with a third party. This agreement provides for the ability of the reseller to sell the Company's products in a certain territory. The Company will receive payments from the reseller based on the sales to end users but will also receive minimum royalty amounts from the reseller as indicated in the agreement. The Company will recognize this fee under this arrangement as the product is sold to the end user by the reseller. Additionally, the reseller has the ability to earn warrants to purchase up to 150,000 shares of common stock of the Company if certain revenue targets are met. The Company will record the issuance of the warrants at the time they are earned by the reseller as sales and marketing based on the fair value of the warrant on the date of grant.

11.COMMITMENTS AND CONTINGENCIES

Leases

The Company rents certain office space, telephone, and computer equipment under noncancelable operating leases. Rents charged to expense were approximately \$772,000, \$918,000, and \$1,679,000 for the years ended December 31, 1997, 1998, and 1999, respectively. Aggregate future minimum lease payments under noncancelable operating leases as of December 31, 1999, are as follows (in thousands):

<TABLE>

<CAPTION>

December 31:

<S>	<C>
2000.....	\$1,116
2001.....	1,116
2002.....	1,116
2003.....	1,116
2004.....	1,116
Thereafter.....	1,397

\$6,977

</TABLE>

In addition, the Company rents certain equipment under agreements treated for financial reporting purposes as capital leases. The Company's property under capital leases, which is included in property and equipment on the consolidated balance sheets at December 31, 1998 and 1999, was \$121,000, which is net of accumulated depreciation of \$11,000 and \$17,000, respectively.

Product Liability

As a result of their complexity, software products may contain undetected errors or failures when first introduced or as new versions are released. There can be no assurance that, despite testing by the Company and testing and use by current and potential customers, errors will not be found in applications after commencement of commercial shipments or, if discovered, that the Company will be able to successfully correct such errors in a timely manner or at all. The occurrence of errors and failures in the Company's products could result in loss of or delay in the market acceptance of the Company's applications, and alleviating such errors and failures could require significant expenditure of capital and other resources by the

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CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

December 31, 1997, 1998 and 1999

Company. The consequences of such errors and failures could have a material adverse effect on the Company's business, results of operations, and financial condition.

Litigation

The Company is subject to claims and litigation related to matters arising in the normal course of business. Based on a current assessment of such claims and litigation, management believes that as of December 31, 1999, there are no unasserted, asserted, or pending material litigation or claims against the Company.

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[Inside Back Cover

will contain our logo]

2,100,000 Shares

[LOGO OF CLARUS]

Common Stock

PROSPECTUS

CHASE H&Q

BANC OF AMERICA SECURITIES LLC

U.S. BANCORP PIPER JAFFRAY

, 2000

You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

PART II

Item 14. Other Expenses of Issuance and Distribution

<TABLE>

<S>

<C>

Securities and Exchange Commission registration fee.....	\$ 42,723
National Association of Securities Dealers, Inc. fee.....	\$ 16,684
Nasdaq National Market additional listing fee.....	\$ 17,500
Accountants' fees and expenses.....	\$ 55,000
Underwriting Fees and Commissions.....	\$7,018,523
Legal fees and expenses.....	\$ 150,000
Transfer Agent's fees and expenses.....	\$ 10,000
Printing and engraving expenses.....	\$ 250,000
Miscellaneous.....	\$ 47,448

Total Expenses..... \$7,607,878

</TABLE>

All fees other than the SEC registration fee and the National Association of Securities Dealers, Inc. fee are estimated.

Item 15. Indemnification of Directors and Officers

Our Restated Bylaws and our Restated Certificate of Incorporation provide that we will indemnify our directors and officers to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of us. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to our directors, officers and controlling persons pursuant to the Restated Bylaws, in the opinion of the Securities and Exchange Commission, indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. We have obtained insurance which insures our directors and officers against certain losses and which insures us against specific obligations to indemnify our directors and officers. In addition, our Restated Certificate of Incorporation provides that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to us or our stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors. These types of limitations of personal liability under the Delaware Business Corporation Law do not apply to liabilities arising out of certain violations of the federal securities laws.

There is no pending litigation or proceeding involving any of our directors,

officers, employees or agents where indemnification by us will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for indemnification.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits. The following is a list of exhibits filed as part of the Registration Statement.

<TABLE>

<CAPTION>

Exhibit No.	Description
-------------	-------------

-----	-----
-------	-------

<C>	<S>
-----	-----

- | | |
|------|--|
| 1.1* | Form of Underwriting Agreement |
| 3.1 | Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by Reference from Exhibit 3.1 of the Registrant's Form S-1 Registration Statement File No. 33-46685) |
| 3.2 | Amended and Restated Bylaws of the Registrant (Incorporated by Reference from Exhibit 3.2 of the Registrant's Form S-1 Registration Statement File No. 33-46685). |

</TABLE>

II-1

<TABLE>

<CAPTION>

Exhibit No.	Description
-------------	-------------

-----	-----
-------	-------

<C>	<S>
-----	-----

- | | |
|-------|--|
| 4.1 | See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Registrant defining rights of the holders of Common Stock of the Registrant. |
| 4.2 | Specimen Stock Certificate. (Incorporated by Reference from Exhibit 4.1 of the Registrant's Form S-4 Registration Statement (File No. 333-63535). |
| 5.1* | Opinion of Womble Carlyle Sandridge & Rice, PLLC, as to the legality of the shares being registered. |
| 23.1* | Consent of Arthur Andersen LLP. |
| 23.2* | Consent of Womble Carlyle Sandridge & Rice, PLLC (included in Exhibit 5.1). |
| 24.1 | Power of Attorney (previously filed). |
| 27 * | Financial Data Schedule |
| 99.1* | Report of Independent Public Accountants on Financial Statement Schedule |

</TABLE>

*Filed herewith.

(b) Financial Statement Schedule

Schedule II--Valuation and Qualifying Accounts

Item 17. Undertakings

(a) The Registrant hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(ii) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the

Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue;

(iii) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(iv) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to Form S-3 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Suwanee, State of Georgia on the 7th day of February, 2000.

Clarus Corporation

/s/ Stephen P. Jeffery

By: _____
Stephen P. Jeffery,
Chairman, Chief Executive
Officer and President

Pursuant to the requirements of the Securities and Exchange Commission, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

Signature	Title	Date
-----	----	----
<S> /s/ Stephen P. Jeffery	<C> Chairman, Chief Executive Officer (Principal Executive Officer), and President	<C> February 7, 2000
Stephen P. Jeffery	Chief Financial Officer (Principal Financial and Accounting Officer)	February 7, 2000
/s/ Mark D. Gagne	Director	February 7, 2000
Mark D. Gagne		
/s/ *		
Norman N. Behar		
/s/ *	Director	February 7, 2000
Tench Cox		
/s/ *	Director	February 7, 2000
Donald L. House		
/s/ *	Director	February 7, 2000
Mark A. Johnson		

/s/ * Director February 7, 2000

William S. Kaiser

/s/ * Director February 7, 2000

Said Mohammadioun

</TABLE>

*By: /s/ Stephen P. Jeffery

Attorney-in-fact

Schedule II

Valuation and Qualifying Accounts

Clarus Corporation and Subsidiaries

For the years ended December 31, 1997, 1998 and 1999

Allowance for Doubtful Accounts and Returns

<TABLE>

<CAPTION>

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts					
1997.....	\$288,000	\$ 125,000	\$ --	\$ 129,000	\$284,000
1998.....	284,000	739,000	54,000 (b)	676,000	401,000
1999.....	401,000	1,245,000	--	1,375,000 (c)	271,000
Allowance for Returns					
1997.....	346,000	166,000	83,000 (a)	541,000	54,000
1998.....	54,000	--	(54,000)(b)	--	--
1999.....	--	--	--	--	--
Total					
1997.....	634,000	291,000	83,000	670,000	338,000
1998.....	338,000	739,000	--	676,000	401,000
1999.....	401,000	1,245,000	--	1,375,000 (c)	271,000

</TABLE>

- -----

(a) amounts were reclassified from deferred revenue

(b) amounts were reclassified from the returns reserve to the bad debt reserve

(c) of this amount, \$537,000 was transferred as part of the sale of the financial and human resources software business.

EXHIBIT 1.1

CLARUS CORPORATION

2,100,000 Shares/1/

Common Stock

UNDERWRITING AGREEMENT

February ____, 2000

CHASE SECURITIES INC.
BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
STEPHENS INC.
c/o Chase Securities Inc.
One Bush Street
San Francisco, CA 94104

Ladies and Gentlemen:

Clarus Corporation, a Delaware corporation (herein called the Company), proposes to issue and sell 1,928,000 shares of its authorized but unissued Common Stock, \$.0001 par value (herein called the Common Stock), and the stockholders of the Company named in Schedule II hereto (herein collectively called the Selling Securityholders) propose to sell an aggregate of 172,000 shares of Common Stock of the Company (said 2,100,000 shares of Common Stock being herein called the Underwritten Stock). The Company proposes to grant to the Underwriters (as hereinafter defined) an option to purchase up to 315,000 additional shares of Common Stock (herein called the Option Stock and with the Underwritten Stock herein collectively called the Stock). The Common Stock is more fully described in the Registration Statement and the Prospectus hereinafter mentioned.

The Company and the Selling Securityholders severally hereby confirm the agreements made with respect to the purchase of the Stock by the several underwriters, for whom you are acting, named in Schedule I hereto (herein collectively called the Underwriters, which term shall also include any underwriter purchasing Stock pursuant to Section 3(b) hereof). You represent and warrant that you have been authorized by each of the other Underwriters to enter into this Agreement on its behalf and to act for it in the manner herein provided.

- -----

/1/Plus an option to purchase from the Underwriters up to 315,000 additional shares to cover over-allotments.

1. Registration Statement. The Company has filed with the Securities and Exchange Commission (herein called the Commission) a registration statement on Form S-3 (No. 333-94199), including the related preliminary prospectus, for the registration under the Securities Act of 1933, as amended (herein called the Securities Act) of the Stock. Copies of such registration statement and of each amendment thereto, if any, including the related preliminary prospectus (meeting the requirements of Rule 430A of the rules and regulations of the Commission) heretofore filed by the Company with the Commission have been delivered to you.

The term Registration Statement as used in this agreement shall mean such registration statement, including all documents incorporated by reference therein, all exhibits and financial statements, all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, in the form in which it became effective, and any registration statement filed pursuant to Rule 462(b) of the rules and regulations of the Commission

with respect to the Stock (herein called a Rule 462(b) registration statement), and, in the event of any amendment thereto after the effective date of such registration statement (herein called the Effective Date), shall also mean (from and after the effectiveness of such amendment) such registration statement as so amended (including any Rule 462(b) registration statement). The term Prospectus as used in this Agreement shall mean the prospectus, including the documents incorporated by reference therein, relating to the Stock first filed with the Commission pursuant to Rule 424(b) and Rule 430A (or if no such filing is required, as included in the Registration Statement) and, in the event of any supplement or amendment to such prospectus after the Effective Date, shall also mean (from and after the filing with the Commission of such supplement or the effectiveness of such amendment) such prospectus as so supplemented or amended. The term Preliminary Prospectus as used in this Agreement shall mean each preliminary prospectus, including the documents incorporated by reference therein, included in such registration statement prior to the time it becomes effective.

The Registration Statement has been declared effective under the Securities Act, and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. The Company has caused to be delivered to you copies of each Preliminary Prospectus and has consented to the use of such copies for the purposes permitted by the Securities Act.

2. Representations and Warranties of the Company and the Management Selling Securityholders.

(a) Each of the Company and the Management Selling Securityholders identified as such in Schedule II hereto hereby represents and warrants as follows:

(i) Each of the Company and its subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has full corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement and the Prospectus and as being conducted, and is duly qualified as a foreign corporation and in good standing in all jurisdictions in which the character of the property owned or leased or the nature of the business transacted by it makes qualification necessary (except where the failure to be so qualified would not have a material adverse effect on the business, properties, financial condition or results of operations of the Company and its subsidiaries, taken as a whole). All of the issued and outstanding capital stock of each of the subsidiaries of the Company has been duly authorized and validly issued and is fully paid and nonassessable, and is owned by the Company free and clear of all liens, encumbrances and security interests, and no options, warrants or other rights to purchase, agreements or other obligations to

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issue or other rights to convert any obligations into shares of capital stock or ownership interests in such subsidiaries are outstanding.

(ii) The Registration Statement and the Prospectus comply, and on the Closing Date (as hereinafter defined) and any later date on which Option Stock is to be purchased, the Prospectus will comply, in all material respects, with the provisions of the Securities Act and the Securities Exchange Act of 1934, as amended (herein called the Exchange Act) and the rules and regulations of the Commission thereunder and, if filed by electronic transmission pursuant to the Electronic Data Gathering Analysis and Retrieval System (EDGAR) (except as may be permitted by Regulation S-T under the Securities Act), the Registration Statement and the Prospectus are or will be identical in all substantive respects to the copies thereof delivered to the Underwriters for use in connection with the offer and sale of the Stock. On the Effective Date, the Registration Statement did not contain any untrue statement of a material fact and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and on the Effective Date the Prospectus did not and, on the Closing Date and any later date on which Option Stock is to be purchased, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that none of the

representations and warranties in this subparagraph (ii) shall apply to statements in, or omissions from, the Registration Statement or the Prospectus made in reliance upon and in conformity with information herein or otherwise furnished in writing to the Company by or on behalf of the Underwriters for use in the Registration Statement or the Prospectus. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required.

(iii) The Registration Statement and any Rule 462(b) registration statement have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) registration statement is in effect, and no proceedings for such purpose have been instituted or, to the best knowledge of the Company and the Management Selling Securityholders, are contemplated or threatened by the Commission.

(iv) The Common Stock is included in the Nasdaq National Market, and the Company has notified the Nasdaq National Market of the proposed issuance of the Stock by the Company in accordance with the Nasdaq Stock Market Marketplace Rules.

(v) The Company has delivered to the Representatives one complete manually signed copy of the Registration Statement and of each consent and certificate of experts filed as a part thereof and conformed copies of the Registration Statement (without exhibits) and Preliminary Prospectuses and the Prospectus, as amended or supplemented, in such quantities and at such places as the Representatives have reasonably requested for each of the Underwriters.

(vi) The Company has not distributed and will not distribute, prior to the later of the Closing Date (as defined below) and the completion of the Underwriters' distribution of the Stock, any offering material in connection with the offering and sale of the Stock other than a Preliminary Prospectus, the Prospectus or the Registration Statement and any other material permitted under the Securities Act.

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(vii) This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification hereunder (including rights under Section 11) may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(viii) There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly exercised or waived.

(ix) Except as otherwise disclosed in the Prospectus, subsequent to the respective dates as of which information is given in the Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business of the Company and its subsidiaries, considered as one entity (any such change is called a Material Adverse Change); (ii) the Company and its subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company, or by any of its subsidiaries on any class of capital stock, any repurchase or redemption by the Company or any of its subsidiaries of any class of capital stock.

(x) Arthur Andersen LLP, which has expressed its opinion with respect

to the financial statements (which term as used in this Agreement includes the related notes thereto) and supporting schedules filed with the Commission as a part of the Registration Statement and included in the Prospectus, are independent public or certified public accountants as required by the Securities Act.

(xi) The financial statements filed with the Commission as a part of the Registration Statement included in the Prospectus present fairly the consolidated financial position of the Company and its subsidiaries as of and at the dates indicated and the results of their operations and cash flows for the periods specified. Any supporting schedules included in the Registration Statement present fairly the information required to be stated therein. Such financial statements and supporting schedules have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement. The financial data set forth in the Prospectus under the captions "Prospectus Summary - Summary Consolidated Financial Data," "Selected Consolidated Financial Information" and "Capitalization" present the information set forth therein on a basis consistent with the audited financial statements contained in the Registration Statement.

(xii) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under the caption "Capitalization" (other than for subsequent issuances, if any, pursuant to the employee benefit plans described in the Prospectus or upon exercise of outstanding options or warrants described in the Prospectus). There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or

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exercisable for, any capital stock of the Company or any of its subsidiaries other than those described in the Prospectus. The Stock is duly and validly authorized, is (or, in the case of shares of the Stock to be sold by the Company, will be, when issued and sold to the Underwriters as provided herein) duly and validly issued, fully paid and nonassessable and conforms to the description thereof incorporated by reference in the Prospectus. No further approval or authority of the stockholders or the Board of Directors of the Company will be required for the transfer and sale of the Stock to be sold by the Selling Securityholders or the issuance and sale of the Stock as contemplated herein. None of the outstanding shares of Common Stock were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company.

(xiii) Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or is in default (or, with the giving of notice or lapse of time, would be in default) (herein called a Default) under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject (herein each, an Existing Instrument), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus (i) will not result in any violation of the provisions of the charter or bylaws of the Company or any subsidiary, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, or require the consent of any other party to, any Existing Instrument, except for such conflicts, breaches, Defaults, liens, charges, encumbrances or failures to obtain consents as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any subsidiary. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency is required for the Company's execution, delivery and performance of this Agreement and

consummation of the transactions contemplated hereby and by the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act, and such as may be required under applicable state securities or blue sky laws and from the National Association of Securities Dealers, Inc. (herein the NASD).

(xiv) There are no legal or governmental actions, suits or proceedings pending or, to the best of the Company's or each Management Selling Securityholder's knowledge, threatened (i) against or affecting the Company or any of its subsidiaries, or (ii) which has as the subject thereof any person in his or her capacity as an officer or director of, or property owned or leased by, the Company or any of its subsidiaries, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company or such subsidiary and (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement. No material labor dispute with the employees of the Company or any of its subsidiaries exists or, to the best of the Company's or each Management Selling Securityholder's knowledge, is threatened or imminent.

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(xv) The Company and its subsidiaries own or possess sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (herein called Intellectual Property Rights) reasonably necessary to conduct their businesses as now conducted; and the expected expiration of any of such Intellectual Property Rights would not result in a Material Adverse Change. Neither the Company nor any of its subsidiaries has received any notice of infringement or conflict with asserted Intellectual Property Rights of others, which infringement or conflict, if the subject of an unfavorable decision, would result in a Material Adverse Change.

(xvi) The Company and each subsidiary possess such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their respective businesses, and neither the Company nor any subsidiary has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Change.

(xvii) The Company and each of its subsidiaries have good and marketable title to all the properties and assets reflected as owned in the financial statements referred to in Section 2(xi) above, and clear of any security interests, mortgages, liens, encumbrances, equities, claims and other defects, except such as (i) are disclosed in the Prospectus or (ii) do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company or such subsidiary. The real property, improvements, equipment and personal property held under lease by the Company or any subsidiary are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such subsidiary.

(xviii) The Company and its subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns and have paid all taxes required to be paid by them and, if due and payable, any related or similar assessment, fine or penalty levied against them. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 2(xi) above with respect to all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company has not been finally determined.

(xix) The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (herein called the Investment Company Act). The Company is not and, after receipt of payment for the Stock, will not be, an "investment company" within the meaning of the Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(xx) The Company and its subsidiaries are insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses including, but not limited to, policies covering real and personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction, acts of vandalism and earthquakes. The Company and the Management Selling Securityholders have no reason to believe that the Company or any subsidiary will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or

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appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. Neither the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied.

(xxi) The Company has not taken and will not take, directly or indirectly, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Stock.

(xxii) There are no business relationships or related party transactions involving the Company or any subsidiaries or any other person required to be described in the Prospectus that have not been described as required.

(xxiii) Neither the Company nor any subsidiaries nor, to the best knowledge of the Company and each Management Selling Securityholder, any employee or agent of the Company or any subsidiaries, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of a character required to be disclosed in the Prospectus.

(xxiv) The Company maintains a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at regular intervals and appropriate action is taken with respect to any differences.

(b) Each of the Selling Securityholders hereby represents and warrants as follows:

(i) Such Selling Securityholder has good and marketable title to all the shares of Stock to be sold by such Selling Securityholder hereunder, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever, with full right and authority to deliver the same hereunder, subject, in the case of each Selling Securityholder, to the rights of the Company, as Custodian (herein called the Custodian), and that upon the delivery of and payment for such shares of the Stock hereunder, the several Underwriters will receive good and marketable title thereto, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever.

(ii) Certificates in negotiable form for the shares of the Stock to be sold by such Selling Securityholder have been placed in custody under a Custody Agreement for delivery under this Agreement with the Custodian; such Selling Securityholder specifically agrees that the shares of the Stock represented by the certificates so held in custody for such Selling Securityholder are subject to the interests of the several Underwriters and the Company, that the arrangements made by such Selling Securityholder for such custody, including the Power of Attorney included in such Custody Agreement, are to that extent irrevocable, and that the obligations of such Selling Securityholder shall not be terminated by any act of such Selling Securityholder or by operation of law, whether by the death or incapacity

of such Selling Securityholder (or, in the case of a Selling Securityholder that is not an individual, the dissolution or liquidation of such Selling Securityholder) or the occurrence of any other event; if any such death, incapacity, dissolution, liquidation or other such event should occur before the delivery of such shares of the Stock hereunder, certificates for such shares of the

Stock shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death, incapacity, dissolution, liquidation or other event had not occurred, regardless of whether the Custodian shall have received notice of such death, incapacity, dissolution, liquidation or other event.

(iii) The Custody Agreement and Power of Attorney signed by such Selling Securityholder appointing the Company as Custodian for his or her shares of Stock to be sold pursuant to this Agreement and appointing Stephen P. Jeffery as such Selling Securityholder's attorney-in-fact, to the extent set forth therein with regard to the transactions contemplated hereby and by the Registration Statement and the Prospectus, has been duly authorized, executed and delivered by or on behalf of such Selling Securityholder and is a valid and binding instrument of such Selling Securityholder enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles. Pursuant to such Power of Attorney, the Selling Securityholder has authorized Stephen P. Jeffery to execute and deliver any document necessary or desirable in connection with the transactions contemplated hereby and to deliver the Stock to be sold by such Selling Securityholder pursuant to this Agreement.

(iv) Such Selling Securityholder has reviewed the Registration Statement and Prospectus and nothing has come to the attention of such Selling Securityholder that would lead such Selling Securityholder to believe that on the Effective Date, the Registration Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(v) Such Selling Securityholder has not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Stock.

(vi) The execution, delivery and performance of this Agreement by such Selling Securityholder, compliance by such Selling Securityholder with all the provisions hereof and the consummation of the transactions contemplated hereby will not require any consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body (except such as may be required under the Securities Act, state securities laws or blue sky laws or except such as may have been obtained) and will not conflict with or constitute a breach of the terms or provisions of, or a Default under, the charter or bylaws, if applicable, of such Selling Securityholder or any material agreement, indenture or other instrument to which the Selling Securityholder is a party or by which the Selling Securityholder or property of the Selling Securityholder is bound, or violate or conflict with any laws, administrative regulation or ruling or court decree applicable to the Selling Securityholder or property of the Selling Securityholder.

3. Purchase of the Stock by the Underwriters.

(a) On the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell 1,928,000 shares of the Underwritten Stock to the several Underwriters, each Selling Securityholder agrees to sell to the several Underwriters the number of shares of the Underwritten Stock set forth in Schedule II opposite the name of such Selling Securityholder, and each of the Underwriters agrees to purchase from the Company and the Selling Securityholders the respective aggregate number of shares of Underwritten Stock set forth opposite its name in Schedule I. The price at which such

shares of Underwritten Stock shall be sold by the Company and the Selling Securityholders and purchased by the several Underwriters shall be \$ ___ per share. The obligation of each Underwriter to the Company and each of the Selling Securityholders shall be to purchase from the Company and the Selling Securityholders that number of shares of the Underwritten Stock which represents the same proportion of the total number of shares of the Underwritten Stock to be sold by each of the Company and the Selling Securityholders pursuant to this Agreement as the number of shares of the Underwritten Stock set forth opposite the name of such Underwriter in Schedule I hereto represents of the total number of shares of the Underwritten Stock to be purchased by all Underwriters pursuant to this Agreement, as adjusted by you in such manner as you deem advisable to avoid fractional shares. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraphs (b) and (c) of this Section 3, the agreement of each Underwriter is to purchase only the respective number of shares of the Underwritten Stock specified in Schedule I.

(b) If for any reason one or more of the Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 8 or 9 hereof) to purchase and pay for the number of shares of the Stock agreed to be purchased by such Underwriter or Underwriters, the Company or the Selling Securityholders shall immediately give notice thereof to you, and the non-defaulting Underwriters shall have the right within 24 hours after the receipt by you of such notice to purchase, or procure one or more other Underwriters to purchase, in such proportions as may be agreed upon between you and such purchasing Underwriter or Underwriters and upon the terms herein set forth, all or any part of the shares of the Stock which such defaulting Underwriter or Underwriters agreed to purchase. If the non-defaulting Underwriters fail so to make such arrangements with respect to all such shares and portion, the number of shares of the Stock which each non-defaulting Underwriter is otherwise obligated to purchase under this Agreement shall be automatically increased on a pro rata basis to absorb the remaining shares and portion which the defaulting Underwriter or Underwriters agreed to purchase; provided, however, that the non-defaulting Underwriters shall not be obligated to purchase the shares and portion which the defaulting Underwriter or Underwriters agreed to purchase if the aggregate number of such shares of the Stock exceeds 10% of the total number of shares of the Stock which all Underwriters agreed to purchase hereunder. If the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase shall not be purchased or absorbed in accordance with the two preceding sentences, the Company and the Selling Securityholders shall have the right, within 24 hours next succeeding the 24-hour period above referred to, to make arrangements with other underwriters or purchasers satisfactory to you for purchase of such shares and portion on the terms herein set forth. In any such case, either you or the Company and the Selling Securityholders shall have the right to postpone the Closing Date determined as provided in Section 5 hereof for not more than seven business days after the date originally fixed as the Closing Date pursuant to said Section 5 in order that any necessary changes in the Registration Statement, the Prospectus or any other documents or arrangements may be made. If neither the non-defaulting Underwriters nor the Company and the Selling Securityholders shall make arrangements within the 24-hour periods stated above for the purchase of all the shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company or the Selling Securityholders to any non-defaulting Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company or the Selling Securityholders. Nothing in this paragraph (b), and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

(c) On the basis of the representations, warranties and covenants herein contained, and subject to the terms and conditions herein set forth, the Company grants an option to the several Underwriters to purchase, severally and not jointly, up to 315,000 shares in the aggregate

of the Option Stock from the Company at the same price per share as the Underwriters shall pay for the Underwritten Stock. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Stock by the Underwriters and may be exercised in whole or in part at any time (but not more

than once) on or before the thirtieth day after the date of this Agreement upon written or telegraphic notice by you to the Company setting forth the aggregate number of shares of the Option Stock as to which the several Underwriters are exercising the option. Delivery of certificates for the shares of Option Stock, and payment therefor, shall be made as provided in Section 5 hereof. The number of shares of the Option Stock to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Stock to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Stock, as adjusted by you in such manner as you deem advisable to avoid fractional shares.

4. Offering by Underwriters.

(a) The terms of the follow-on public offering by the Underwriters of the Stock to be purchased by them shall be as set forth in the Prospectus. The Underwriters may from time to time change the public offering price after the closing of the follow-on public offering and increase or decrease the concessions and discounts to dealers as they may determine.

(b) The information set forth under "Underwriting" in the Registration Statement, any Preliminary Prospectus and the Prospectus (insofar as such information relates to the Underwriters) constitutes the only information furnished by the Underwriters to the Company for inclusion in the Registration Statement, any Preliminary Prospectus, and the Prospectus, and you on behalf of the respective Underwriters represent and warrant to the Company that the statements made therein are correct.

5. Delivery of and Payment for the Stock.

(a) Payment of the purchase price for and delivery of the Underwritten Stock shall be made at the offices of Powell, Goldstein, Frazer & Murphy LLP, 191 Peachtree Street, N.E., 16th Floor, Atlanta, Georgia 30303, or at such other place as shall be agreed upon by you, the Company and the Selling Securityholders, at 10:00 a.m., Atlanta time, on the third business day (as permitted under Rule 15c6-1 under the Exchange Act) (unless postponed in accordance with the provisions of Section 3(b) hereof) following the Effective Date (or, if the Company has elected to rely on Rule 430A of the rules and regulations of the Commission, the third business day (as permitted under Rule 15c6-1 under the Exchange Act) after the determination of the public offering price of the Stock), or such other time not later than ten business days after such date as shall be agreed upon by you, the Company and the Selling Securityholders (such time and date for payment and delivery being called herein the Closing Date).

(b) If the option granted by Section 3(c) hereof is exercised on or before the 30th day following the date of this Agreement, delivery of the Option Stock shall be made at the office of Powell, Goldstein, Frazer & Murphy LLP, 191 Peachtree Street, N.E., 16th Floor, Atlanta, Georgia 30303, not earlier than the Closing Date nor earlier than the second full business day after the date on which the option shall have been exercised nor later than the 8th full business day after the date on which the option shall have been exercised (unless such time and date are postponed in accordance with the provisions of Section 3(b) hereof).

(c) Payment for the Stock purchased from the Company shall be made to the Company or its order, and payment for the Stock purchased from the Selling Securityholders shall be made to the Custodian, for the account of the Selling Securityholders, in each case by certified or official bank check or wire transfer in same day funds. Such payment shall be made upon delivery of certificates for the Stock to you for the respective accounts of the several Underwriters against receipt therefor signed by you. Certificates for the Stock to be delivered to

you shall be registered in such name or names and shall be in such denominations as you may request at least one business day before the Closing Date, in the case of Underwritten Stock, and at least one business day prior to the purchase thereof, in the case of the Option Stock. Such certificates will be made available to the Underwriters for inspection, checking and packaging at the offices of Lewco Securities Corporation, 2 Broadway, New York, New York 10004 on the business day prior to the Closing Date or, in the case of the Option Stock, by 3:00 p.m., New York time, on the business day preceding the date of purchase.

If you so elect, delivery of the Shares may be made by credit through full fast transfer to the Depository Trust Company account(s) that you designate.

It is understood that you, individually and not on behalf of the Underwriters, may (but shall not be obligated to) make payment to the Company and the Selling Securityholders for shares to be purchased by any Underwriter whose check shall not have been received by you on the Closing Date or any later date on which Option Stock is purchased for the account of such Underwriter. Any such payment by you shall not relieve such Underwriter from any of its obligations hereunder.

6. Further Agreements of the Company and the Selling Securityholders. Each of the Company and, where indicated, the Selling Securityholders, respectively covenants and agrees as follows:

(a) The Company will (i) prepare and timely file with the Commission under Rule 424(b) a Prospectus containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A and (ii) not file any amendment to the Registration Statement or supplement to the Prospectus of which you shall not previously have been advised and furnished with a copy or to which you shall have reasonably objected in writing or which is not in compliance with the Securities Act or the rules and regulations of the Commission.

(b) The Company will promptly notify each Underwriter in the event of (i) the request by the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, (ii) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, (iii) the institution or notice of intended institution of any action or proceeding for that purpose, (iv) the receipt by the Company of any notification with respect to the suspension of the qualification of the Stock for sale in any jurisdiction, or (v) the receipt by it of notice of the initiation or threatening of any proceeding for such purpose. The Company and the Selling Securityholders will make every reasonable effort to prevent the issuance of such a stop order and, if such an order shall at any time be issued, to obtain the withdrawal thereof at the earliest possible moment.

(c) The Company will (i) on or before the Closing Date, deliver to you a signed copy of the Registration Statement as originally filed and of each amendment thereto filed prior to the time the Registration Statement becomes effective and, promptly upon the filing thereof, a signed copy of each post-effective amendment, if any, to the Registration Statement and of any Rule 462(b) registration statement (together with, in each case, all exhibits thereto unless previously furnished to you) and will also deliver to you, for distribution to the Underwriters, a sufficient number of additional conformed copies of each of the foregoing (but without exhibits) so that one copy of each may be distributed to each Underwriter, (ii) as promptly as possible deliver to you and send to the several Underwriters, at such office or offices as you may designate, as many copies of the Prospectus as you may reasonably request, and (iii) thereafter from time to time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, likewise send to the Underwriters as many additional copies of the

Prospectus and as many copies of any supplement to the Prospectus and of any amended prospectus, filed by the Company with the Commission, as you may reasonably request for the purposes contemplated by the Securities Act.

(d) If at any time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer any event relating to or affecting the Company, or of which the Company shall be advised in writing by you, shall occur as a result of which it is necessary, in the opinion of counsel for the Company or of counsel for the Underwriters, to supplement or amend the Prospectus in order to make the Prospectus not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Stock, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus so that the Prospectus as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the

circumstances existing at the time such Prospectus is delivered to such purchaser, not misleading. If, after the follow-on public offering of the Stock by the Underwriters and during such period, the Underwriters shall propose to vary the terms of offering thereof by reason of changes in general market conditions or otherwise, you will advise the Company in writing of the proposed variation, and, if in the opinion either of counsel for the Company or of counsel for the Underwriters such proposed variation requires that the Prospectus be supplemented or amended, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus setting forth such variation. The Company authorizes the Underwriters and all dealers to whom any of the Stock may be sold by the several Underwriters to use the Prospectus, as from time to time amended or supplemented, in connection with the sale of the Stock in accordance with the applicable provisions of the Securities Act and the applicable rules and regulations thereunder for such period.

(e) Prior to the filing thereof with the Commission, the Company will submit to you, for your information, a copy of any post-effective amendment to the Registration Statement and any supplement to the Prospectus or any amended prospectus proposed to be filed.

(f) The Company will cooperate, when and as requested by you, in the qualification of the Stock for offer and sale under the securities or blue sky laws of such jurisdictions as you may designate and, during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, in keeping such qualifications in good standing under said securities or blue sky laws; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will, from time to time, prepare and file such statements, reports, and other documents as are or may be required to continue such qualifications in effect for so long a period as you may reasonably request for distribution of the Stock.

(g) During a period of five years commencing with the date hereof, the Company will furnish to you, and to each Underwriter who may so request in writing, copies of all periodic and special reports furnished to stockholders of the Company and of all information, documents and reports filed with the Commission.

(h) Not later than the 45th day following the end of the fiscal quarter first occurring after the first anniversary of the Effective Date, the Company will make generally available to its security holders an earnings statement in accordance with Section 11(a) of the Securities Act and Rule 158 thereunder.

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(i) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company hereby agrees to pay all costs and expenses incident to the performance of the obligations of the Company and the Selling Securityholders hereunder, excluding the fees and expenses of any separate counsel to the Selling Securityholders, which shall be paid by the individual Selling Securityholders, including those in connection with (i) preparing, printing, duplicating, filing and distributing the Registration Statement, as originally filed and all amendments thereof (including all exhibits thereto), any Preliminary Prospectus, the Prospectus and any amendments or supplements thereto (including, without limitation, fees and expenses of the Company's accountants and counsel), the underwriting documents (including this Agreement, the Master Agreement among Underwriters and the Master Selected Dealers Agreement) and all other documents related to the public offering of the Stock (including those supplied to the Underwriters in quantities as stated herein), (ii) the issuance, transfer and delivery of the Stock to the Underwriters, including any transfer or other taxes payable thereon, (iii) the qualification of the Stock under state or foreign securities or blue sky laws, including the costs of printing and mailing any preliminary or final "blue sky survey" and the fees of counsel for the Underwriters and such counsel's disbursements in relation thereto, (iv) quotation of the Stock on the Nasdaq National Market, (v) filing fees of the Commission and the NASD, (vi) the cost of printing certificates representing the Stock, (vii) the cost and charges of any transfer agent or registrar, (viii) the fees and disbursements of the Company's accountants and the fees and

expenses of counsel for the Company, (ix) all miscellaneous expenses referred to in Part II of the Registration Statement, (x) costs related to travel and lodging incurred by the Company and its representatives relating to meetings with and presentations to prospective purchasers of the Stock reasonably determined to be necessary or desirable to effect the sale of the Stock to the public, and (xi) all other costs and expenses incident to the performance of the Company's and the Selling Securityholders' obligations hereunder (including costs incurred in closing the purchase of the Option Stock, if any) that are not otherwise specifically provided for in this subsection. The provisions of this Section are intended to relieve the Underwriters from the payment of the expenses and costs that the Company and the Selling Securityholders hereby agree to pay and shall not affect any agreement that the Company and the Selling Securityholders may make, or may have made, for the sharing of any such expenses and costs.

(j) The Company and each of the Selling Securityholders hereby agrees that, without the prior written consent of Chase Securities Inc. (or its successor entity) on behalf of the Underwriters, the Company or such Selling Securityholder, as the case may be, will not, for a period of 90 days after the Effective Date (herein called the Lockup Period), directly or indirectly, sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge, or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for or any rights to purchase or acquire Common Stock. The foregoing sentence shall not apply to (A) the Stock to be sold to the Underwriters pursuant to this Agreement, (B) shares of Common Stock issued by the Company upon the exercise of options granted under the stock option plans of the Company (herein called the Option Plans) or upon the exercise of warrants outstanding as of the date hereof, (C) warrants granted by the Company in connection with strategic relationships that may be entered into after the date hereof, so long as any Common Stock that may be obtained upon exercise of such warrants cannot be resold in the public market during the Lockup Period, (D) restricted Common Stock granted by the Company in connection with strategic relationships that may be entered into after the date hereof, so long as the aggregate number of such shares granted during the Lockup Period does not exceed five percent of the number of shares outstanding on the date of grant and so long as such shares cannot be resold in the public market during the Lockup Period, (E) restricted Common Stock issuable upon conversion of subordinated debt that may be issued by the Company in connection with strategic relationships so long as such shares cannot be resold in the public market during the Lockup Period, (F) options to purchase Common Stock granted under the Option Plans, and (G) the transfer by an individual Selling Securityholder of shares of Common Stock, or securities convertible into or exchangeable or exercisable for Common Stock, either during his or her lifetime or on death by will or intestacy, to his or her immediate family or to a trust, the beneficiaries of which are exclusively the Selling Securityholder and/or a member or members of his or her immediate family; provided, however, that prior to any such transfer each transferee shall execute an agreement, satisfactory to Chase Securities Inc. (or its successor entity),

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pursuant to which each transferee shall agree to receive and hold such shares of Common Stock, or securities convertible into or exchangeable or exercisable for the Common Stock, subject to the provisions set forth in this Section 6(j), and that there shall be no further transfer except in accordance with provisions hereof. For the purposes of this clause (G), "immediate family" shall mean spouse, lineal descendant, father, mother, brother or sister of the transferor.

(k) If at any time during the 25-day period after the Registration Statement becomes effective any rumor, publication or event relating to or affecting the Company shall occur as a result of which in your opinion the market price for the Stock has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus), the Company will, after written notice from you advising the Company to the effect set forth above, forthwith prepare, consult with you concerning the substance of, and disseminate a press release or other public statement, reasonably satisfactory to you, responding to or commenting on such rumor, publication or event.

(l) The Company and the Selling Securityholders will use their best efforts to do and perform all things required or necessary to be done and performed under this Agreement by them prior to or after the Closing Date or the date of the purchase, if applicable, of the Option Stock and to satisfy all conditions precedent to the delivery of the Stock.

7. Indemnification and Contribution.

(a) Subject to the provisions of paragraph (f) of this Section 7, the Company and the Selling Securityholders jointly and severally agree to indemnify and hold harmless each Underwriter and each person (including each partner or officer thereof) who controls any Underwriter within the meaning of Section 15 of the Securities Act from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act, or the common law or otherwise, and the Company and the Selling Securityholders jointly and severally agree to reimburse each such Underwriter and controlling person for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus or the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that (1) the indemnity agreements of the Company and the Selling Securityholders contained in this paragraph (a) shall not apply to any such losses, claims, damages, liabilities or expenses if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by or on behalf of any Underwriter for use in any Preliminary Prospectus or the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto, (2) the indemnity agreement contained in this paragraph (a) with respect to any Preliminary

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Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages, liabilities or expenses purchased the Stock which is the subject thereof (or to the benefit of any person controlling such Underwriter) if at or prior to the written confirmation of the sale of such Stock a copy of the Prospectus (or the Prospectus as amended or supplemented) was not sent or delivered to such person (excluding the documents incorporated therein by reference) and the untrue statement or omission of a material fact contained in such Preliminary Prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented) unless the failure is the result of noncompliance by the Company with paragraph (c) of Section 6 hereof, and (3) each Selling Securityholder (other than the Management Selling Securityholders) shall only be liable under this paragraph with respect to (A) information pertaining to such Selling Securityholder furnished by or on behalf of such Selling Securityholder expressly for use in any Preliminary Prospectus or the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto or (B) facts that would constitute a breach of any representation or warranty of such Selling Securityholder set forth in Section 2(b) hereof. The indemnity agreements of the Company and the Selling Securityholders contained in this paragraph (a) and the representations and warranties of the Company and the Selling Securityholders contained in Section 2 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(b) Each Underwriter severally agrees to indemnify and hold harmless the

Company, each of its officers who signs the Registration Statement on his own behalf or pursuant to a power of attorney, each of its directors, each other Underwriter and each person (including each partner or officer thereof) who controls the Company or any such other Underwriter within the meaning of Section 15 of the Securities Act, and each of the Selling Securityholders and each person who controls such Selling Securityholder from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act, or the common law or otherwise and to reimburse each of them for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by or on behalf of such indemnifying Underwriter for use in the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto. The indemnity agreement of each Underwriter contained in this paragraph (b) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(c) Each party indemnified under the provision of paragraphs (a) and (b) of this Section 7 agrees that, upon the service of a summons or other initial legal process upon it in any action or suit instituted against it or upon its receipt of written notification of the commencement of any investigation or inquiry of, or proceeding against, it in respect of which indemnity may be

sought on account of any indemnity agreement contained in such paragraphs, it will promptly give written notice (herein called the Notice) of such service or notification to the party or parties from whom indemnification may be sought hereunder. No indemnification provided for in such paragraphs shall be available to any party who shall fail so to give the Notice if the party to whom such Notice was not given was unaware of the action, suit, investigation, inquiry or proceeding to which the Notice would have related and was prejudiced by the failure to give the Notice, but the omission so to notify such indemnifying party or parties of any such service or notification shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of such indemnity agreement. Any indemnifying party shall be entitled at its own expense to participate in the defense of any action, suit or proceeding against, or investigation or inquiry of, an indemnified party. Any indemnifying party shall be entitled, if it so elects within a reasonable time after receipt of the Notice by giving written notice (herein called the Notice of Defense) to the indemnified party, to assume (alone or in conjunction with any other indemnifying party or parties) the entire defense of such action, suit, investigation, inquiry or proceeding, in which event such defense shall be conducted, at the expense of the indemnifying party or parties, by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties; provided, however, that (i) if the indemnified party or parties reasonably determine that there may be a conflict between the positions of the indemnifying party or parties and of the indemnified party or parties in conducting the defense of such action, suit, investigation, inquiry or proceeding or that there may be legal defenses available to such indemnified party or parties different from or in addition to those available to the indemnifying party or parties, then counsel for the indemnified party or parties shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of the indemnified party

or parties and (ii) in any event, the indemnified party or parties shall be entitled to have counsel chosen by such indemnified party or parties participate in, but not conduct, the defense. If, within a reasonable time after receipt of the Notice, an indemnifying party gives a Notice of Defense and the counsel chosen by the indemnifying party or parties is reasonably satisfactory to the indemnified party or parties, the indemnifying party or parties will not be liable under paragraphs (a) through (c) of this Section 7 or Section 11 for any legal or other expenses subsequently incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding, except that (A) the indemnifying party or parties shall bear the legal and other expenses incurred in connection with the conduct of the defense as referred to in clause (i) of the proviso to the preceding sentence and (B) the indemnifying party or parties shall bear such other expenses as it or they have authorized to be incurred by the indemnified party or parties. If, within a reasonable time after receipt of the Notice, no Notice of Defense has been given, the indemnifying party or parties shall be responsible for any legal or other expenses incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding.

(d) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under paragraph (a) or (b) of this Section 7, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in paragraph (a) or (b) of this Section 7 (i) in such proportion as is appropriate to reflect the relative benefits received by each indemnifying party from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, or actions in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Securityholders on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Stock received by the Company and the Selling Securityholders and the

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total underwriting discount received by the Underwriters, as set forth in the table on the cover page of the Prospectus, bear to the aggregate public offering price of the Stock. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by each indemnifying party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission.

The parties agree that it would not be just and equitable if contributions pursuant to this paragraph (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities, or actions in respect thereof, referred to in the first sentence of this paragraph (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigation, preparing to defend or defending against any action or claim which is the subject of this paragraph (d). Notwithstanding the provisions of this paragraph (d), no Underwriter shall be required to contribute any amount in excess of the underwriting discount applicable to the Stock purchased by such Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this paragraph (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

Each party entitled to contribution agrees that upon the service of a summons or other initial legal process upon it in any action instituted against it in respect of which contribution may be sought, it will promptly give written notice of such service to the party or parties from whom contribution may be sought, but the omission so to notify such party or parties of any such service

shall not relieve the party from whom contribution may be sought from any obligation it may have hereunder or otherwise (except as specifically provided in paragraph (c) of this Section 7).

(e) Neither the Company nor the Selling Securityholders will, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Underwriter or any person who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Underwriter and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

(f) The liability of each Selling Securityholder under such Selling Securityholder's representations and warranties contained in paragraph (a) of Section 2 hereof and under the indemnity and reimbursement agreements contained in the provisions of this Section 7 and Section 11 hereof shall be limited to an amount equal to the public offering price of the stock sold by such Selling Securityholder to the Underwriters. The Company and the Selling Securityholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible.

8. Termination. This Agreement may be terminated by you at any time prior to the Closing Date by giving written notice to the Company and the Selling Securityholders if after the date of this Agreement trading in the Common Stock shall have been suspended, or if there shall have occurred (i) the engagement in hostilities or an escalation of major hostilities by the United States or the declaration of war or a national emergency by the United States on or after the date

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hereof, (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, calamity, crisis or change in economic or political conditions in the financial markets of the United States would, in the Underwriters' reasonable judgment, make the offering or delivery of the Stock impracticable, (iii) suspension of trading in securities generally or a material adverse decline in value of securities generally on the New York Stock Exchange, the American Stock Exchange, or The Nasdaq Stock Market, or limitations on prices (other than limitations on hours or numbers of days of trading) for securities on either such exchange or system, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of, or commencement of any proceeding or investigation by, any court, legislative body, agency or other governmental authority which in the Underwriters' reasonable opinion materially and adversely affects or will materially or adversely affect the business or operations of the Company, (v) declaration of a banking moratorium by either federal or New York State authorities or (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in the Underwriters' reasonable opinion has a material adverse effect on the securities markets in the United States. If this Agreement shall be terminated pursuant to this Section 8, there shall be no liability of the Company or the Selling Securityholders to the Underwriters and no liability of the Underwriters to the Company or the Selling Securityholders; provided, however, that in the event of any such termination the Company and the Selling Securityholders agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraph (i) of Section 6 hereof.

9. Conditions of Underwriters' Obligations. The obligations of the several Underwriters to purchase and pay for the Stock shall be subject to the performance by the Company and by the Selling Securityholders of all their respective obligations to be performed hereunder at or prior to the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and to the following further conditions:

(a) The Registration Statement shall have become effective; and no stop order suspending the effectiveness thereof shall have been issued and

no proceedings therefor shall be pending or threatened by the Commission.

(b) The legality of the sale of the Stock hereunder and the validity and form of the certificates representing the Stock, all corporate proceedings and other legal matters incident to the foregoing, and the form of the Registration Statement and of the Prospectus (except as to the financial statements contained therein), shall have been approved at or prior to the Closing Date by Powell, Goldstein, Frazer & Murphy LLP, counsel for the Underwriters.

(c) You shall have received from Womble Carlyle Sandridge Rice, PLLC, counsel for the Company and the Selling Securityholders, an opinion, addressed to the Underwriters and dated the Closing Date, covering the matters set forth in Annex A hereto, and if Option Stock is purchased at

any date after the Closing Date, an additional opinion from such counsel, addressed to the Underwriters and dated such later date, confirming that the statements expressed as of the Closing Date in such opinions remain valid as of such later date.

(d) You shall be satisfied that (i) as of the Effective Date, the statements made in the Registration Statement and the Prospectus were true and correct and neither the Registration Statement nor the Prospectus omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, respectively, not misleading, (ii) since the Effective Date, no event has occurred which should have been

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set forth in a supplement or amendment to the Prospectus which has not been set forth in such a supplement or amendment, (iii) since the respective dates as of which information is given in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the business, properties, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, and, since such dates, except in the ordinary course of business, neither the Company nor any of its subsidiaries has entered into any material transaction not referred to in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein, (iv) neither the Company nor any of its subsidiaries has any material contingent obligations that are not disclosed in the Registration Statement and the Prospectus, (v) there are not any pending or known threatened legal proceedings to which the Company or any of its subsidiaries is a party or of which property of the Company or any of its subsidiaries is the subject that are material and that are not disclosed in the Registration Statement and the Prospectus, (vi) there are not any franchises, contracts, leases or other documents which are required to be filed as exhibits to the Registration Statement which have not been filed as required, (vii) the representations and warranties of the Company herein are true and correct in all material respects as of the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and (viii) there has not been any material change in the market for securities in general or in political, financial or economic conditions from those reasonably foreseeable as to render it impracticable in your reasonable judgment to make a public offering of the Stock, or a material adverse change in market levels for securities in general (or those of companies in particular) or financial or economic conditions which render it inadvisable to proceed.

(e) You shall have received on the Closing Date and on any later date on which Option Stock is purchased a certificate, dated the Closing Date or such later date, as the case may be, and signed by the President and the Chief Financial Officer of the Company, stating that the respective signers of said certificate have carefully examined the Registration Statement in the form in which it originally became effective and the Prospectus contained therein and any supplements or amendments thereto, and that the statements included in clauses (i) through (vii) of paragraph (d) of this Section 9 are true and correct.

(f) You shall have received from Arthur Andersen, LLP, a letter or

letters, addressed to the Underwriters and dated the Closing Date and any later date on which Option Stock is purchased, confirming that they are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder and based upon the procedures described in their letter delivered to you concurrently with the execution of this Agreement (herein called the Original Letter), but carried out to a date not more than three business days prior to the Closing Date or such later date on which Option Stock is purchased (i) confirming, to the extent true, that the statements and conclusions set forth in the Original Letter are accurate as of the Closing Date or such later date, as the case may be, and (ii) setting forth any revisions and additions to the statements and conclusions set forth in the Original Letter which are necessary to reflect any changes in the facts described in the Original Letter since the date of the Original Letter or to reflect the availability of more recent financial statements, data or information. The letters shall not disclose any change, or any development involving a prospective change, in or affecting the business or properties of the Company or any of its subsidiaries which, in your sole judgment, makes it impractical or inadvisable to proceed with the public offering of the Stock or the purchase of the Option Stock as contemplated by the Prospectus.

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(g) You shall have been furnished evidence in usual written or telegraphic form from the appropriate authorities of the several jurisdictions, or other evidence satisfactory to you, of the qualification referred to in paragraph (f) of Section 6 hereof.

(h) Prior to the Closing Date, the Stock to be issued and sold by the Company shall have been duly authorized for inclusion in the Nasdaq National Market upon official notice of issuance.

(i) On or prior to the Closing Date, you shall have received from all directors, executive officers, and beneficial holders of more than 5% of the outstanding Common Stock (excluding HarbourVest Partners IV - Direct Fund L.P., and Greylock Limited Partnership) agreements, in form reasonably satisfactory to Chase Securities Inc., stating that without the prior written consent of Chase Securities Inc. (or its successor entity) on behalf of the Underwriters, such person or entity will not, for a period of 90 days following the Effective Date, directly or indirectly sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for or any rights to purchase or acquire Common Stock. Such agreement shall be subject to the exceptions set forth in Section 6(j) hereof.

All the agreements, opinions, certificates and letters mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if Powell, Goldstein, Frazer & Murphy LLP, counsel for the Underwriters, shall be satisfied that they comply in form and scope.

In case any of the conditions specified in this Section 9 shall not be fulfilled, this Agreement may be terminated by you by giving notice to the Company and to the Selling Securityholders. Any such termination shall be without liability of the Company or the Selling Securityholders to the Underwriters and without liability of the Underwriters to the Company or the Selling Securityholders; provided, however, that (i) in the event of such termination, the Company and the Selling Securityholders agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraph (i) of Section 6 hereof, and (ii) if this Agreement is terminated by you because of any refusal, inability or failure on the part of the Company or the Selling Securityholders to perform any agreement herein, to fulfill any of the conditions herein (other than the condition specified in Section 9(d)(viii)), or to comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the transactions contemplated hereby.

10. Conditions of the Obligation of the Company and the Selling Securityholders. The obligation of the Company and the Selling Securityholders to deliver the Stock shall be subject to the conditions that (a) the Registration Statement shall have become effective and (b) no stop order suspending the effectiveness thereof shall be in effect and no proceedings therefor shall be pending or threatened by the Commission. In case either of the conditions specified in this Section 10 shall not be fulfilled, this Agreement may be terminated by the Company and the Selling Securityholders by giving notice to you. Any such termination shall be without liability of the Company and the Selling Securityholders to the Underwriters and without liability of the Underwriters to the Company or the Selling Securityholders; provided, however, that in the event of any such termination the Company and the Selling Securityholders

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jointly and severally agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraph (i) of Section 6 hereof.

11. Reimbursement of Certain Expenses. In addition to their other obligations under Section 7 of this Agreement (and subject, in the case of a Selling Securityholder, to the provisions of paragraph (f) of Section 7), the Company and the Selling Securityholders hereby jointly and severally agree to reimburse on a quarterly basis the Underwriters for all reasonable legal and other expenses incurred in connection with investigating or defending any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in paragraph (a) of Section 7 of this Agreement, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligations under this Section 11 and the possibility that such payments might later be held to be improper; provided, however, that (i) to the extent any such payment is

ultimately held to be improper, the persons receiving such payments shall promptly refund them and (ii) such persons shall provide to the Company, upon request, reasonable assurances of their ability to effect any refund, when and if due.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of the Company, the Selling Securityholders and the several Underwriters and, with respect to the provisions of Section 7 hereof, the several parties (in addition to the Company, the Selling Securityholders and the several Underwriters) indemnified under the provisions of said Section 7, and their respective personal representatives, successors and assigns. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Stock from any of the several Underwriters.

13. Notices. Except as otherwise provided herein, all communications hereunder shall be in writing or by facsimile and, if to the Underwriters, shall be mailed, telecopied or delivered to Chase Securities Inc., One Bush Street, San Francisco, California 94104 (facsimile no. 415-439-3624); and if to the Company, shall be mailed, telecopied or delivered to it at its office, Clarus Corporation, 3970 Johns Creek Court, Suite 100, Suwannee, GA 30024, Attention: Chief Executive Officer (facsimile no. 770-291-8599); and if to the Selling Securityholders, shall be mailed, telecopied or delivered to the Selling Securityholders in care of Clarus Corporation at 3970 Johns Creek Court, Suite 100, Suwannee, GA 30024 (facsimile no. 770-291-8599). All notices given by telecopy shall be promptly confirmed by letter transmitted by mail or hand delivered.

14. Miscellaneous. The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or the Selling Securityholders or their respective directors or officers, and (c) delivery and payment for the Stock under this Agreement; provided, however, that if this Agreement is terminated prior to the Closing

Date, the provisions of paragraphs (j) and (k) of Section 6 hereof shall be of no further force or effect.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

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Please sign and return to the Company and to the Selling Securityholders in care of the Company the enclosed duplicates of this letter, whereupon this letter will become a binding agreement among the Company, the Selling Securityholders and the several Underwriters in accordance with its terms.

Very truly yours,

SELLING SECURITYHOLDERS: CLARUS CORPORATION
As set forth on Schedule II

By _____	By _____
Stephen P. Jeffery Attorney-in-Fact	Stephen P. Jeffery Chairman, Chief Executive Officer and President

[Signatures Continue on Next Page]

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The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

CHASE SECURITIES INC.
BANC OF AMERICA SECURITIES LLC
U.S. BANCORP PIPER JAFFRAY
STEPHENS INC.

By Chase Securities Inc.

By: _____
Name: _____
Title: _____

Acting on behalf of the several Underwriters, including themselves, named in Schedule I hereto.

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SCHEDULE I

UNDERWRITERS

Underwriters -----	Number of Shares Purchased -----
Chase Securities Inc.....	
Banc of America Securities LLC.....	
U.S. Bancorp Piper Jaffray.....	

Stephens Inc.....

Total

24

SCHEDULE II

SELLING SECURITYHOLDERS

Name [and Address] of
Selling Securityholders

Number of Shares
to be Sold

Management Selling Securityholders:

[list Selling Securityholders who are also
directors, officers or employees of the
Company]

Other Selling Securityholders:

Total

25

ANNEX A

Matters to be Covered in the Opinion of Womble Carlyle Sandridge & Rice, PLLC
Counsel for the Company
[and the Selling Securityholders]

(i) The Company and each significant subsidiary (as defined in Rule 405 under the Securities Act) of the Company are corporations in existence and in good standing under the laws of the State of Delaware. All of the issued and outstanding capital stock of each significant subsidiary of the Company has been duly authorized by all necessary corporate action on the part of the respective subsidiary, is validly issued, fully paid and nonassessable, and is owned by the Company free and clear of all liens, encumbrances and security interests, and to such counsel's knowledge, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in such subsidiaries are outstanding.

(ii) The authorized capital stock of the Company consists of 25,000,000 shares of common stock, \$0.0001 par value, of which there are _____ outstanding shares (exclusive of shares issued after the date of the Prospectus pursuant to employee benefit plans or upon exercise of options and warrants described in the Prospectus and the Underwritten Stock or Option Stock to be issued by the Company pursuant to the Underwriting Agreement), and 5,000,000 shares of preferred stock, \$0.0001 par value, of which there are no outstanding shares. All of the outstanding shares of such capital stock are validly issued, fully paid and nonassessable. The Underwritten Stock being sold by the Company and any Option Stock, when issued and delivered to and paid for by the Underwriters as provided in the Underwriting Agreement, will be validly issued, fully paid and nonassessable. No preemptive rights of, or rights of refusal in favor of, stockholders exist with respect to the Stock, or the issue and sale thereof, pursuant to the Certificate of Incorporation or Bylaws of the Company and, to the knowledge of such counsel, there are no contractual preemptive rights that have not been waived, rights of first refusal or rights of co-sale which exist with respect to the Underwritten Stock being sold by the Selling Securityholders or the issue and sale of the Stock.

(iii) Except as disclosed in or specifically contemplated by the

Registration Statement and the Prospectus, to such counsel's knowledge, there are no outstanding options, warrants or other rights calling for the issuance of, and no commitments, obligations, plans or arrangements to issue, any shares of capital stock of the Company or any security convertible into or exchangeable for capital stock of the Company.

(iv) The Registration Statement has become effective under the Securities Act and, to such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement or suspending or preventing the use of the Prospectus is in effect and no proceedings for that purpose have been instituted or threatened by the Commission.

(v) The Registration Statement and the Prospectus (except as to the financial statements and schedules and other financial and statistical data contained or incorporated by reference therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations of the Commission thereunder.

(vi) The information required to be set forth or incorporated by reference in the Registration Statement in answer to Item 9 and, insofar as it relates to such counsel, Item 10 of Form S-3 is to such counsel's knowledge accurately and adequately set forth therein in all material respects or no response is required with respect to such Items.

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(vii) Such counsel do not know of any franchises, contracts, leases, documents or legal proceedings, pending or threatened, which are of a character required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement and which are not described and filed as required.

(viii) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(ix) The Company's execution and delivery of the Underwriting Agreement and the issue and sale by the Company of the Stock being sold by the Company as provided for in the Underwriting Agreement (A) will not result in any violation of the provisions of the charter or bylaws of the Company or any significant subsidiary, (B) will not violate or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its significant subsidiaries pursuant to, or require the consent of any other party to, any contract or agreement that is filed as an exhibit to the Registration Statement, the Company's Annual Report on Form 10-K for the year ended December 31, 1998 or any report filed by the Company under Section 13(a) of the Exchange Act since December 31, 1998, except for such conflicts, breaches, Defaults, liens, charges or encumbrances or failures to obtain consents as would not, individually or in the aggregate, materially and adversely affect the business, financial condition or results of operations of the Company and its significant subsidiaries taken as a whole and (C) to such counsel's knowledge, will not result in any violation of any applicable law, administrative regulation or administrative or court decree that is binding on the Company or any of its significant subsidiaries or any of their assets. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency is required for the Company's execution and delivery of the Underwriting Agreement and consummation of the transactions provided for therein, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act, and such as may be required under applicable state securities or blue sky laws and from the NASD.

(x) All holders of securities of the Company who, to such counsel's knowledge, have rights to the registration of shares of Common Stock, or other securities, because of the filing of the Registration Statement by the Company have exercised or waived such rights or such rights have expired by reason of lapse of time following notification of the Company's intent to file the Registration Statement.

(xi) The Common Stock is included in the Nasdaq National Market, and the Company has notified the Nasdaq National Market and the Company has notified the Nasdaq National Market of the proposed issuance of the Stock to be issued and

sold by the Company in accordance with the Nasdaq Stock National Marketplace Rules.

(xii) The Underwriters (assuming they are bona fide purchasers within the meaning of the Uniform Commercial Code as in effect in the governing jurisdiction) will, upon payment therefor in accordance with the terms of the Underwriting Agreement, acquire all of the rights of the Selling Securityholders in the Underwritten Stock sold by them to the Underwriters, free and clear of all liens, encumbrances, equities or claims.

(xiii) The Underwriting Agreement and the Custody Agreement and Power of Attorney among the Selling Securityholders, the Company, as Custodian, and Stephen P. Jeffery, as Attorney-in-Fact, have been duly executed and delivered by or on behalf of the several Selling Securityholders.

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(xiv) To such counsel's knowledge, based as to factual matters solely on certifications by the Selling Securityholders, the execution and delivery of the Underwriting Agreement by each Selling Securityholder and the sale by the Selling Securityholders of the Underwritten Stock being sold by them will not require any consent, approval, authorization or other order of any court, regulatory body, administrative agency, or other governmental body (except as such may be required under the Securities Act, state securities laws or blue sky laws or except as such may have been obtained).

In addition, such opinion shall also contain a statement that such counsel has participated in conferences with officers and representatives of the Company, representatives of the independent public accountants for the Company and representatives of the Underwriters at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (other than as specifically provided above), and any amendments or supplements thereto, on the basis of the foregoing, no facts have come to the attention of such counsel that would lead such counsel to believe that either the Registration Statement at the time it became effective (including the information deemed to be part of the Registration Statement at the time of effectiveness pursuant to Rule 430A(b) or Rule 434, if applicable) or any amendment thereof made prior to the Closing Date as of the date of such amendment, contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus as of its date (or any amendment thereof or supplement thereto made prior to the Closing Date as of the date of such amendment or supplement) and as of the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no belief or opinion with respect to the financial statements and schedules and other financial and statistical data included or incorporated by reference therein).

Counsel rendering the foregoing opinion may rely as to questions of law not involving the laws of the United States or of the State of Georgia or the corporate law of the State of Delaware, upon opinions of local counsel satisfactory in form and scope to counsel for the Underwriters. Copies of any opinions so relied upon shall be delivered to the Representatives and to counsel for the Underwriters and the foregoing opinion shall also state that counsel knows of no reason the Underwriters are not entitled to rely upon the opinions of such local counsel.

EXHIBIT 5.1
[WOMBLE CARLYLE SANDRIDGE & RICE, PLLC LETTERHEAD]

February 7, 2000

Clarus Corporation
3970 Johns Creek Court
Suwanee, Georgia 30024

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

We have served as counsel for Clarus Corporation, a Delaware corporation (the "Company"), in connection with the registration under the Securities Act of 1933, as amended, pursuant to the Company's Registration Statement on Form S-3 (No. 333-94199) (the "Registration Statement"), of a proposed public offering by the Company of 2,100,000 shares (the "Shares") of the Company's authorized common stock, \$.0001 par value (the "Common Stock"), 1,928,000 of which are to be sold by the Company and 172,000 of which are to be registered for sale by certain stockholders of the Company. In addition, the Company has granted to the underwriters an option to purchase 315,000 shares of common stock to cover over-allotments, if any (the "Over-Allotment Shares").

We have examined and are familiar with originals or copies (certified or otherwise identified to our satisfaction) of such documents, corporate records and other instruments relating to the incorporation of the Company and to the authorization and issuance of the outstanding shares of Common Stock and the Shares and the Over-Allotment Shares to be sold by the Company and certain stockholders, as appropriate, as we have deemed necessary and advisable.

Based upon the foregoing and having regard for such legal considerations that we have deemed relevant, it is our opinion that:

1. The 1,928,000 Shares to be issued and sold by the Company will be upon issuance, sale and delivery as contemplated in the Registration Statement, legally and validly issued, fully paid and nonassessable.
2. The 172,000 Shares to be registered for and sold by certain stockholders were legally and validly issued, fully paid and nonassessable.
3. The Over-Allotment Shares to be sold by the Company, upon exercise of the over-allotment option by the underwriters, will be legally and validly issued, fully paid and nonassessable.

We do hereby consent to the reference to our firm under the heading "Legal Matters" in the Prospectus contained in the Registration Statement and to the filing of this Opinion as Exhibit 5.1 thereto.

Respectfully,

WOMBLE CARLYLE SANDRIDGE & RICE, PLLC

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the inclusion in this registration statement of our reports dated January 28, 2000 for Clarus Corporation and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN LLP
Atlanta, Georgia
February 2, 2000

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EXHIBIT 99.1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To Clarus Corporation and Subsidiaries

We have audited in accordance with generally accepted auditing standards, the financial statements of Clarus Corporation and subsidiaries included in this Registration Statement and have issued our report thereon dated January 28, 2000. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the list of Exhibits is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 28, 2000