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

FORM 10-Q

(Mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2000
or
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _________ to _________

Commission File Number: 0-24277

Clarus Corporation
(Exact name of registrant as specified in its charter)

Delaware	58-1972600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3970 Johns Creek Court
Suwanee, Georgia 30024
(Address of principal executive offices)
(Zip code)

(770) 291-3900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, ($.0001 Par Value)
15,525,069 shares outstanding as of October 31, 2000

INDEX

CLARUS CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CLARUS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share and per share amounts)

<TABLE>
<CAPTION>

<S>	September 30, 2000 <C>	December 31, 1999 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$141,256	$14,127
Marketable securities	45,114	-0-
Trade accounts receivable, less allowance for doubtful accounts of $2,817 and $271 in 2000 and 1999, respectively	20,915	10,389
Deferred marketing expense, current	6,752	5,723
Prepaids and other current assets	5,591	1,965
Total current assets	219,628	32,204
PROPERTY AND EQUIPMENT	6,985	4,122
OTHER ASSETS:		
Deferred marketing expense	2,765	4,293
Intangible assets, net of accumulated amortization of $4,061 and $784 in 2000 and 1999, respectively	60,455	6,649
Investments	14,747	1,168
Deposits and other long-term assets	220	127
Total other assets	78,187	12,237
TOTAL ASSETS	$304,800	$48,563

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) (continued)
(in thousands, except share and per share amounts)

<TABLE>
<CAPTION>

<S>	September 30, 2000 <C>	December 31, 1999 <C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 17,144	$ 6,326
Deferred revenue	3,814	3,081
Current maturities of long-term debt	3	6,046
Total current liabilities	20,961	15,453
NONCURRENT LIABILITIES:		
Deferred revenue	1,058	293
Long-term debt, net of current maturities	5,000	-0-
Other non-current liabilities	202	202
Total liabilities	27,221	15,948
STOCKHOLDERS' EQUITY:		
Common stock, $.0001 par value; 100,000,000 shares authorized, 15,501,971 and 11,600,681 shares issued and 15,426,971 and 11,525,681 shares outstanding in 2000 and 1999, respectively	2	1
Additional paid-in capital	367,390	77,008
Accumulated deficit	(86,072)	(44,122)
Treasury stock, at cost	(2)	(2)
Foreign currency translation adjustment	39	-0-
Unrealized gain on marketable securities	296	-0-
Deferred compensation	(4,074)	(270)
Total stockholders' equity	277,579	32,615
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$304,800	$ 48,563

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	Three months ended September 30, <C> 2000	<C> 1999	Nine months ended September 30, <C> 2000	<C> 1999
REVENUES:				
License fees	$ 10,262	$ 2,259	$ 23,903	$10,138
Services fees	3,281	6,497	6,731	21,298
Total revenues	13,543	8,756	30,634	31,436
COST OF REVENUES:				
License fees	15	258	113	969
Services fees	4,135	3,988	8,234	12,598
Total cost of revenues	4,150	4,246	8,347	13,567
OPERATING EXPENSES:				
Research and development, exclusive of				

noncash expense	7,423	2,178	15,759	6,730
In-process research and development expense	-0-	-0-	8,300	-0-
Sales and marketing, exclusive of noncash expense	9,324	4,190	24,421	11,007
General and administrative, exclusive of noncash expense	4,166	1,505	9,161	4,727
Depreciation and amortization	2,948	967	5,212	2,800
Noncash research and development expense	-0-	-0-	826	-0-
Noncash sales and marketing expense	2,017	-0-	5,846	-0-
Noncash general and administrative expense	375	42	1,851	126
Total operating expenses	26,253	8,882	71,376	25,390
OPERATING LOSS	(16,860)	(4,372)	(49,089)	(7,521)
Gain on sale of ERP assets	-0-	-0-	547	-0-
Loss on sale of investments	(5)	-0-	(5)	-0-
Interest income	3,307	82	7,869	310
Interest expense	(58)	(19)	(1,272)	(70)
NET LOSS	$(13,616)	$(4,309)	$(41,950)	$(7,281)
Loss per common share:				
Basic	$ (0.89)	$(0.39)	$ (2.98)	$ (0.66)
Diluted	$ (0.89)	$(0.39)	$ (2.98)	$ (0.66)
Weighted average shares outstanding				
Basic	15,371	11,095	14,057	11,010
Diluted	15,371	11,095	14,057	11,010

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands, except share amounts)

<TABLE>
<CAPTION>

	Nine months ended September 30	
	2000	1999
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss	$(41,950)	$(7,281)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,212	2,858
Amortization of debt discount	982	-0-
In-process research and development	8,300	-0-
Provision for doubtful accounts	2,597	1,084
Exchange of software for cost-method investments	(6,764)	(1,168)
Noncash research and development expense	826	-0-
Noncash sales and marketing expense	5,846	-0-
Noncash general and administrative expense	1,851	126
Loss on disposal of property and equipment	-0-	53
Gain on sale of financial and human resources software business	(547)	-0-
Changes in operating assets and liabilities:		
Accounts receivable	(14,337)	(1,646)
Prepaid and other current assets	(3,567)	(1,465)
Deposits and other long-term assets	(83)	169
Accounts payable and accrued liabilities	8,901	43
Deferred revenue	1,498	(1,379)
Other non-current liabilities	-0-	176
NET CASH USED IN OPERATING ACTIVITIES	(31,235)	(8,430)
INVESTING ACTIVITIES:		

Acquisitions, net of cash acquired	(33,446)	-0-
Purchase of marketable securities	(43,604)	-0-
Purchases of property and equipment	(4,562)	(2,673)
Purchases of intangible assets	(89)	(73)
Net proceeds from sale of ERP assets	1,864	-0-
Purchase of investments in strategic partners	(6,815)	-0-
NET CASH USED IN INVESTING ACTIVITIES	(86,652)	(2,746)
FINANCING ACTIVITIES:		
Repayments of long-term borrowings	(7,025)	(419)
Proceeds from long-term borrowings	5,000	2,100
Proceeds from issuance of common stock related to secondary offering	244,427	-0-
Proceeds from issuance of common stock related to options exercised	2,575	578
NET CASH PROVIDED BY FINANCING ACTIVITIES	244,977	2,259
Effect of exchange rate change on cash	39	-0-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,129	(8,917)
CASH AND CASH EQUIVALENTS, beginning of period	14,127	14,799
CASH AND CASH EQUIVALENTS, end of period	$141,256	$ 5,882
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	$ 290	$ 70
NONCASH TRANSACTIONS:		
Issuance of warrants to purchase 50,000 shares of common stock in connection with marketing agreements at fair value	$ 986	$ -0-
Issuance of 39,118 shares of common stock in connection with marketing agreements at fair value	$ 3,761	$ -0-
Issuance of 1,148,000 shares of common stock in connection with SAI acquisition	$ 30,353	$ -0-
Receipt of marketable securities in satisfaction of trade accounts receivable	$ 1,214	$ -0-

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CLARUS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Clarus Corporation and subsidiaries (the "Company") for the three and nine months ended September 30, 2000, have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information in notes required by Generally Accepted Accounting Principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the unaudited financial statements for this interim period have been included. The results of the interim periods are not necessarily indicative of the results to be obtained for the year ended December 31, 2000. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 1999, filed with the Securities and Exchange Commission.

NOTE 2. EARNINGS PER SHARE

Basic and diluted net loss per share was computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," using the weighted average number of common shares outstanding. The diluted net loss per share for the quarter and nine-month periods ended September 30, 2000 and 1999 does not include the effect of the common stock equivalents, calculated by the treasury stock method, at September 30, 2000 and 1999 as their impact would be antidilutive (shown below in thousands):

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Shares issuable under stock options	1,271	1,142	1,346	640
Shares issuable pursuant to warrants to purchase common stock	164	19	188	3
Total	1,435	1,161	1,534	643

</TABLE>

NOTE 3. STOCKHOLDERS' EQUITY

On March 10, 2000, the Company sold 2,243,000 shares of common stock in a public offering yielding net proceeds to the Company of approximately $244.4 million.

NOTE 4. INVESTMENTS

As of September 30, 2000 the Company has made investments of $14.7 million in nine privately held companies and issued a letter of intent to invest $1.5 million in a tenth privately held company, which was executed subsequent to quarter-end. These investments are recorded at original cost and are accounted for using the cost method of accounting. During the three months ended September 30, 2000 the Company recognized $9.6 million in license revenue from software sales to these companies. The Company had previously recognized license revenue from software sales to these companies of $3.8 million during the first six months of 2000 and $3.1 million during the twelve months ended December 31, 1999. These companies are primarily early stage companies and are subject to significant risk due to their limited operating history. As a result, the Company can give no assurances to the ultimate value of the Company's investments.

NOTE 5. ACQUISITIONS

On May 31, 2000, the Company acquired all of the outstanding capital stock of SAI (Ireland) Limited, SAI Recruitment Limited, i2Mobile.com Limited and SAI America Limited (the "SAI/Rodeo Companies"). The SAI/Rodeo Companies specialize in electronic payment settlement. The purchase consideration was approximately $63.1 million, consisting of approximately $30.0 million in cash, 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of the Company's common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black-Scholes option pricing model) and acquisition costs of approximately $900,000.

The acquisition was treated as a purchase for accounting purposes, and accordingly, the assets and liabilities were recorded based on their preliminary fair value at the date of acquisition. The Company retained a third-party valuation firm to assist the Company in its evaluation of developed technologies and in-process research and development. The third-party evaluated SAI/Rodeo Companies' developmental products to determine their stage of development, their expected income generating ability, as well as risk factors associated with achieving technological feasibility. The Company expensed approximately $8.3 million to in-process research and development related to this acquisition in the second quarter of 2000.

The values ascribed to intangible assets and their respective useful lives are as follows:

<TABLE>
<CAPTION>

	Intangible Asset (in thousands)	Useful Life (in years)
<S>	<C>	<C>
Goodwill	$49,891	8
Developed technologies	4,100	4
Assembled workforce	450	7
Customer base	100	4

</TABLE>

The following unaudited pro forma information presents the results of operations of the Company as if the acquisition had taken place on January 1, 1999, and excludes the write-off of purchased research and development of $8.3 million (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues	$13,543	$9,816	$ 31,516	$ 34,010
Net loss	(13,616)	(7,000)	(46,124)	(14,046)
Basic earnings per share:				
Net loss per common share	$(0.89)	$(0.57)	$ (3.14)	$ (1.16)
Equivalent number of shares	15,371	12,243	14,689	12,159
Diluted earnings per share:				
Net loss per share	$(0.89)	$(0.57)	$ (3.14)	$ (1.16)
Equivalent number of shares	15,371	12,243	14,689	12,159

</TABLE>

On April 28, 2000, the Company acquired all of the capital stock of iSold.com, Inc., a Delaware corporation ("iSold"). iSold has developed a software program that provides auctioning capabilities to its clients. The effects of this acquisition are not significant to the Company's financial position.

NOTE 6. COMPREHENSIVE INCOME (LOSS)

SFAS No. 130 "Reporting Comprehensive Income", establishes standards of reporting and display of comprehensive income and its components of net income and "Other Comprehensive Income". "Other Comprehensive Income" refers to revenue, expenses and gains and losses that are not included in net income but rather are recorded directly in stockholders' equity.

The components of comprehensive income (loss) for the three and nine months ended September 30, 2000 and 1999 were as follows (in thousands):
<TABLE>
<CAPTION>

	Three months ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net loss	$(13,616)	$(4,309)	$(41,950)	$(7,281)
Unrealized gain on marketable securities	3	-0-	296	-0-
Foreign currency translation adjustments	31	-0-	39	-0-
Comprehensive loss	(13,582)	(4,309)	(41,615)	(7,281)

</TABLE>

NOTE 7. CONVERTIBLE SECURITIES

On March 14, 2000, the Company entered into a securities purchase agreement with Wachovia Capital Investments, Inc. Wachovia purchased a 4.5% convertible subordinated promissory note due on March 15, 2005 in the original principal amount of $5.0 million, which may be converted into shares of common stock of the Company at a price of $147.20 per share of common stock.

NOTE 8. CUSTOMER CONCENTRATIONS

Five customers in the third quarter of 2000 accounted for more than 10% each of the license fees in the quarter. One customer accounted for more than 10% of license fees for the nine months ended September 30, 2000.

NOTE 9. CONTINGENCIES

The Company is involved in claims and other legal actions arising out of the ordinary course of business. In addition, at least eight putative stockholder class action lawsuits have been filed against the Company since October 30, 2000. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We believe that we have complied with our obligations under Federal securities laws and we intend to defend these lawsuits vigorously. An unfavorable resolution of one or more of these lawsuits could adversely affect our business, results of operations, or financial condition.

NOTE 10. RECLASSIFICATIONS

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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's multiple solutions provide a framework to enable Internet-based digital marketplaces, allowing companies to create trading communities and additional revenue opportunities. The Company's multiple solutions, based on a free trade model, provide a direct Internet-based connection between buyer and supplier

without requiring transactions to be executed through a centralized portal. The Company's product line includes solutions that serve "market makers" (businesses utilizing the Internet for the purpose of facilitating and increasing the efficiency of the distribution channels of chosen vertical markets) as well as other solutions that best serve the purchasing processes of business enterprises. The Company also provides implementation and ongoing customer support services as an integral part of its complete procurement solutions. To achieve broad market adoption of the Company's solutions and services, the Company has developed a multi-channel distribution strategy that includes both a direct sales force and a growing number of indirect channels, including application service providers, system integrators and resellers.

Sources of Revenue

The Company's revenue consists of license fees and services fees. License fees are generated from the licensing of the Company's suite of products. Services fees are generated from consulting, implementation, training, content aggregation and maintenance support services.

Revenue Recognition

Effective January 1, 1998, the Company adopted Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition." Under SOP No. 97-2, software license revenue is recognized when the following criteria are met:

. a signed and executed contract is obtained;

. shipment of the product has occurred;

. the license fee is fixed or determinable; and

. collectibility is probable;

Revenues from consulting, implementation and training services are recognized as the services are performed. Maintenance fees relate to customer maintenance and support and are included in services fees. Maintenance fees are recognized ratably over the term of the software support services agreement, which is typically 12 months. Content aggregation services are recognized ratably over the term of the content services agreement, which is typically 3 years. Amounts that have been received in cash or billed but that do not yet qualify for revenue recognition are reflected as deferred revenues.

Effective January 1, 1999, the Company adopted SOP No. 98-9 "Software Revenue Recognition with Respect to Certain Transactions." The implementation of this statement did not have a material impact on the Company's results of operations.

Operating Expenses

Cost of license fees includes royalties and software duplication and distribution costs. The Company recognizes these costs as the applications are shipped.

Cost of services fees includes personnel related expenses and consulting fees incurred to provide implementation, training, maintenance, content aggregation, and upgrade services to customers and partners. These costs are recognized as they are incurred.

Research and development expenses consist primarily of personnel related expenses and consulting fees. The Company accounts 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." The Company charges research and development costs related to new products or enhancements to expense as incurred until technological feasibility is established, after which the remaining costs are capitalized until the product or enhancement is available for general release to customers. The Company defines technological feasibility as the point in time at which a working model of the related product or enhancement exists. Historically, the 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.

Sales and marketing expenses consist primarily of personnel related expenses, including sales commissions and bonuses, expenses related to travel, trade show participation, public relations, promotional activities, regional sales offices, and advertising.

General and administrative expenses consist primarily of personnel related expenses for financial, administrative and management personnel, fees for professional services, and bad debt expense. The Company allocates the total cost of its information technology function and costs related to the occupancy of its corporate headquarters, to each of the functional areas. Information technology expenses include personnel related expenses, communication charges, and software support. Occupancy charges include rent, utilities, and maintenance services.

The Company has incurred significant costs to develop its business-to-business e-commerce technology and products and to recruit and train personnel. The Company believes its success is contingent upon increasing its customer base and investing in further development of its products and services. This will require significant expenditures for sales, marketing, research and development, and to a lesser extent support infrastructure. The Company therefore expects to continue to incur substantial operating losses for the foreseeable future.

Sale of Human Resources and Financial Software Business

On October 18, 1999, the Company sold all of the assets of its human resources and financial software ("ERP" business) to Geac Computer Systems, Inc. and Geac Canada Limited. In this sale, the Company received approximately $13.5 million in proceeds. See "-Liquidity and Capital Resources."

Limited Operating History

The Company has a limited operating history as an e-commerce business that makes it difficult to forecast its future operating results. Prior period results should not be relied on to predict the Company's future performance.

Closing of Follow-On Offering

On March 10, 2000, the Company closed a follow-on offering of its common stock and received approximately $244.4 million. See "-Liquidity and Capital Resources."

Acquisitions of SAI/Rodeo and iSold.com

On May 31, 2000, the Company acquired all of the outstanding capital stock of SAI (Ireland) Limited, SAI Recruitment Limited and its subsidiaries and related companies, i2Mobile.com Limited and SAI America Limited (the "SAI/Rodeo Companies"). The SAI/Rodeo Companies specialize in electronic payment settlement. The purchase consideration was approximately $63.1 million, consisting of approximately $30.0 million in cash, 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black-Scholes option pricing model) and approximately $900,000 in acquisition costs.

On April 28, 2000, the Company acquired all of the capital stock of iSold.com, Inc., a Delaware corporation ("iSold"). iSold has developed a software program that provides auctioning capabilities to its clients.

Results of Operations

The following table sets forth certain statement of operations data dividing revenues between the Company's previous human resources and financial software business (ERP) and the Company's current e-commerce business for the periods indicated.

<TABLE>
<CAPTION>

<S>	Three months ended September 30, <C> 2000	<C> 1999	Nine months ended September 30, <C> 2000	<C> 1999
Revenues: e-commerce				
License fees	$ 10,262	$ 1,579	$ 23,903	$ 5,174
Services fees	3,281	402	6,731	905
Total revenues	13,543	1,981	30,634	6,079
Revenues: ERP				
License fees	-0-	680	-0-	4,964
Services fees	-0-	6,095	-0-	20,393
Total revenues	-0-	6,775	-0-	25,357
Cost of revenues: e-commerce				
License fees	15	38	113	50
Services fees	4,135	1,036	8,234	1,825
Total cost of revenues	4,150	1,074	8,347	1,875
Cost of revenues: ERP				
License fees	-0-	220	-0-	919
Services fees	-0-	2,952	-0-	10,773
Total cost of revenues	-0-	3,172	-0-	11,692
Gross margin on e-commerce license fees	10,247	1,541	23,790	5,124
Gross margin on e-commerce services fees	(854)	(634)	(1,503)	(920)
Gross margin on ERP license fees	-0-	460	-0-	4,045
Gross margin on ERP services fees	-0-	3,143	-0-	9,620
Operating expenses:				
Research and development, exclusive of noncash expense	7,423	2,178	15,759	6,730
In-process research and development expense	-0-	-0-	8,300	-0-
Sales and marketing, exclusive of noncash expense	9,324	4,190	24,421	11,007
General and administrative, exclusive of noncash expense	4,166	1,505	9,161	4,727

Depreciation and amortization	2,948	967	5,212	2,800
Noncash research and development expense	-0-	-0-	826	-0-
Noncash sales and marketing expense	2,017	-0-	5,846	-0-
Noncash general and administrative expense	375	42	1,851	126
Total operating expenses	26,253	8,882	71,376	25,390
OPERATING LOSS	(16,860)	(4,372)	(49,089)	(7,521)
Gain on sale of ERP assets	-0-	-0-	547	-0-
Loss on sale of investments	5	-0-	5	-0-
Interest income	3,307	82	7,869	310
Interest expense	58	19	1,272	70
NET LOSS	$(13,616)	$(4,309)	$(41,950)	$(7,281)

</TABLE>

Revenues

Total Revenues. Total revenues for the quarter ending September 30, 2000 increased 54.7% to $13.5 million from $8.8 million during the same period in 1999. For the nine months ended September 30, 2000, total revenues decreased 2.6% to $30.6 million from $31.4 million during the same period in 1999. The quarterly increase in total revenues resulted primarily from increased e-commerce license fees partially offset by decreased services fees, as a result of the sale of the Company's ERP business in October 1999. The year-to-date decrease in total revenues is primarily attributable to decreased services fees, as a result of the sale of the Company's ERP business in October 1999, partially offset by increased e-commerce license fees.

e-commerce License Fees. License fees increased 549.9% to $10.3 million, or 75.8% of total e-commerce revenues, for the quarter ended September 30, 2000 from $1.6 million, or 79.7% of total e-commerce revenues, in the same period in 1999. For the nine months ended September 30, 2000, e-commerce license fees increased 362.0% to $23.9 million from $5.2 million during the same period in 1999. The increase in e-commerce license fees was the result of an increase in the amount of software licensed. The majority of the Company's e-commerce license revenue for both the quarter ended and the nine months ended September 30, 2000 was derived from the licensing of products that have became generally available since June 1, 2000. Five customers in the third quarter of 2000 accounted for more than 10% each of the license fees in the quarter. One customer accounted for 10% of license fees for the nine months ended September 30, 2000.

e-commerce Services Fees. Services fees increased 716.2% to $3.3 million, for the quarter ended September 30, 2000, from $402,000 for the same period in 1999, and also increased as a percentage of total e-commerce revenues to 24.2%, for the three month period ended September 30, 2000, from 20.3% in the same period in 1999. For the nine months ended September 30, 2000, service fees increased 643.8% to $6.7 million from $905,000 during the same period in 1999. These increases are primarily attributable to increased demand for the Company's services as a result of the growth in e-commerce license fees.

ERP License Fees. The Company sold its ERP business in October 1999, and as a result had no ERP license fees during the periods ended September 30, 2000. ERP license fees represented $680,000, or 30.1% of total license fee revenue, during the quarter ending September 30, 1999. ERP license fees represented $5.0 million, or 49.0% of total license fee revenue during the nine months ended September 30, 1999.

ERP Services Fees. The Company sold its ERP business in October 1999, and as a result had no ERP services fees during the periods ended September 30, 2000. ERP services fees represented $6.1 million, or 93.8% of total services fees, during the three month period ended September 30, 1999. ERP services revenue represented $20.4 million, or 95.8% of total services fees, during the nine months ended September 30, 1999.

Cost of Revenues

Total Cost of Revenues. Cost of revenues decreased 2.3% to $ 4.1 million, or

30.6% of total revenue, during the quarter ended September 30, 2000 from $4.2 million, or 48.5% of total revenue, during the same period in 1999. Cost of revenues decreased 38.5% to $8.3 million, or 27.2% of total revenue, from $13.6 million, or 43.2% of total revenue, during the nine months ended September 30, 2000. The decrease both in total and as a percentage of total revenues in both comparable periods is primarily a result of the change in mix in revenue from services fees, which historically had a higher cost of revenues, to license fees.

e-commerce Cost of License Fees. Cost of e-commerce license fees decreased to $15,000 for the quarter ended September 30, 2000 from $38,000 during the same period in 1999. For the nine months ending September 30, 2000, cost of e-commerce license fees increased to $113,000 from $50,000 during the same period in 1999. Cost of license fees may vary from period to period depending on the product mix licensed, but are expected to remain a small percentage of license fees.

e-commerce Cost of Services Fees. Cost of services fees increased 299.1% to $4.1 million, or 126.0% of total e-commerce services fees, during the quarter ended September 30, 2000 compared to $1.0 million, or 257.7% of total e-commerce services fees, during the same period in 1999. For the nine months ended September 30, 2000, cost of e-commerce services fees increased to $8.2 million from $1.8 million during the same period in 1999. The increase in the cost of e-commerce services fees was primarily attributable to increases in both personnel related costs and consulting fees. The consulting fees related to sub-contracted services was approximately $1.0 million for the quarter ended September 30, 2000 and approximately $1.7 million for the nine months ended September 30, 2000. There were no consulting fees expensed during the three months and nine months ended September 30, 1999. Although the Company intends to increase the number of services employees, it will continue sub-contracting some consulting and implementation engagements to its system integrator partners.

ERP Cost of License Fees. The Company sold its ERP business in October 1999, and as a result had no ERP license fees or ERP cost of license fees during the periods ended September 30, 2000. During the quarter ended September 30,1999, cost of ERP license fees totaled $220,000 or 32.4% of ERP license fees. For the nine months ended September 30, 1999, cost of ERP license fees totaled $919,000 or 18.5% of ERP license fees. ERP cost of license fees represented 85.3% of the total cost of license fees during the quarter ended September 30, 1999 and 94.8% of the total cost of license fees during the nine months ended September 30, 1999.

ERP Cost of Services Fees. The Company sold its ERP business in October 1999, and as a result had no ERP services fees or ERP cost of services fees during the period ended September 30, 2000. During the quarter ended September 30, 1999, ERP cost of services fees totaled approximately $3.0 million, or 48.4% of ERP services fees. For the nine months ended September 30, 1999, cost of ERP services fees totaled $10.8 million or 52.8% of ERP services fees. ERP cost of services fees represented 74.0% of the total cost of services fees during the quarter ended September 30, 1999, and 85.5% of total cost of services fees during the nine months ended September 30, 1999.

Research and Development Expense, Exclusive of Noncash Expense

Research and development expenses increased 240.8% to approximately $7.4 million, or 54.8% of total revenues, during the quarter ended September 30, 2000 from $2.2 million, or 24.9% of total revenues, during the same period in 1999. Research and development expense increased 134.2% to approximately $15.8 million, or 51.4% of total revenues, during the nine months ending September 30, 2000 from $6.7 million, or 21.4% of total revenues, during the same period in 1999. Research and development

expenses increased primarily due to increased personnel related expenses and increased consulting fees incurred to develop the Company's products. Consulting fees increased to approximately $4.8 million during the quarter ended September 30, 2000 from approximately $124,000 during the same period in 1999. Consulting fees increased to approximately $9.2 million during the nine months ending September 30, 2000 from approximately $440,000 during the same period in 1999. The Company continues to invest substantial resources in research and development, but expects research and development expense to decline in the near term. The Company intends to aggressively hire in research and development moving forward, but expects increases in personnel related costs to be offset by decreases in consulting fees in the fourth quarter of 2000.

In-Process Research and Development Expense

In-process research and development expense was approximately $8.3 million for the nine months ending September 30, 2000. The Company recorded this expense in the second quarter of 2000 related to its acquisition of the SAI/Rodeo Companies on May 31, 2000.

Sales and Marketing Expense, Exclusive of Noncash Expense

Sales and marketing expenses increased 122.5% to $9.3 million, or 68.8% of total revenues, during the quarter ended September 30, 2000 from $4.2 million, or 47.9% of total revenues, during the same period in 1999. Sales and marketing expenses increased 121.9% to $24.4 million, or 79.7% of total revenues, during the nine months ending September 30, 2000 from $11.0 million, or 35.0% of total revenues, during the same period in 1999. The increase was primarily attributable to the additional sales and marketing personnel and promotional activities associated with building market awareness of the Company's e-commerce products. The Company expects a significant increase in sales and marketing expense in the near term, due in large part to fourth quarter advertising commitments.

General and Administrative Expense, Exclusive of Noncash Expense

General and administrative expenses increased 176.8% to $4.2 million during the quarter ending September 30, 2000, or 30.8% of total revenue from $1.5 million, or 17.2% of total revenues, during the same period in 1999. General and administrative expenses increased 93.8% to $9.2 million, or 29.9% of total revenues, during the nine months ending September 30, 2000 from $4.7 million, or 15.0% of total revenues, during the same period in 1999. The increase in general and administrative expense was primarily attributable to increases in personnel related costs and an additional bad debt expense for a specifically identified accounts receivable of $2.0 million in the third quarter of 2000.

Depreciation and Amortization Expense

Depreciation and amortization increased to $2.9 million in the period ended September 30, 2000 from $967,000 in the same period in 1999. Depreciation and amortization increased to $5.2 million in the nine months ending September 30, 2000 from $2.8 million in the same period in 1999. The increases in both comparable periods is primarily the result of the Company's amortization of its intangible assets associated with acquisitions completed in the second quarter of 2000.

Noncash Research and Development Expense

Noncash research and development expenses of approximately $826,000 were recognized during the first quarter of 2000. The expenses resulted from the Company's agreement with a third party to develop certain software that the Company intends to sell in the future. The agreement required the third party to reach certain milestones related to the software development in order to receive warrants to purchase 50,000 shares of the Company' common stock with an exercise price of $56.78. The third party completed two of the three scheduled milestones in the first quarter of 2000 and they were granted warrants to purchase 33,334 shares of common stock. The value of the warrants earned approximated $826,000 and was computed using the Black-Scholes option pricing model. The third milestone was not reached by the scheduled due date, and as a result the warrants to purchase the remaining 16,666 shares of common stock were forfeited. Warrants to purchase 33,334 shares remain outstanding at September 30, 2000 and expire in the first quarter of 2003.

Noncash Sales and Marketing Expense

During the three and nine months ended September 30, 2000, noncash sales and marketing expenses of approximately $2.0 million and $5.8 million, respectively, were recognized in connection with sales and marketing agreements signed by the Company, during the fourth quarter of 1999 and the first quarter of 2000. In connection with these agreements, the Company issued warrants and shares of common stock to certain strategic partners, some of whom are also customers, in exchange for their participation in the Company's sales and marketing efforts. The Company recorded the value of these warrants and common stock as deferred sales and marketing expenses, which are being amortized over the life of the agreements which range from nine months to five years.

Noncash General and Administrative Expense

Noncash general and administrative expenses increased to approximately $375,000, or 2.8% of total revenues, during the third quarter of 2000, from $42,000, or 0.5% of total revenues, during the same period in 1999. Noncash general and administrative expenses increased to $1.9 million, or 6.0% of total revenues, during the nine months ended September 30, 2000 from $126,000, or 0.4% of total revenues, during the same period in 1999. The increases in both the quarter and the nine months ending September 30, 2000 were primarily attributable to the Company granting 160,000 options to a senior executive during the first quarter of 2000 at an exercise price below the fair market value at the date of grant. Fifteen percent of these options vested immediately and the remainder vest over four years. The Company immediately expensed $814,500 associated with the intrinsic value of the vested options and recorded the intrinsic value of the unvested options ($5.4 million) as deferred compensation. The Company recognized compensation expense related to this arrangement of approximately $288,000 and $1.7 million, respectively, in the quarter and nine months ended September 30, 2000. In the third quarter of 2000, the Company granted 18,750 options to a new board member at a price below the fair market value at the date of grant. Deferred compensation of approximately $226,000 was recorded related to this grant and compensation expense of approximately $45,000 was recognized. Forty percent of these options will be fully vested on June 13, 2001 and the remainder will vest quarterly through July 30, 2001.

Interest Income

Interest income increased to $3.3 million in the third quarter of 2000, or 24.4% of total revenues from $82,000, or 0.9% of total revenues, in the same period of 1999. Interest income increased to $7.9 million during the nine months ended September 30, 2000, or 25.7% of total revenues, from $310,000, or 1.0% of total revenues, in the same period in 1999. The increase in interest income was due to higher levels of cash available for investment, a direct result of the Company's follow-on offering in March 2000. The Company expects to continue to use cash to fund operating losses and, as a result, interest income on available cash is expected to decline in future quarters.

Interest Expense

Interest expense increased 205.3% to $58,000 in the third quarter of 2000 from $19,000 during the same period in 1999. Interest expense increased 1,717.1% to $1.3 million during the nine months ended September 30, 2000 from $70,000 during the same period in 1999. The increase for the nine months ended September 30, 2000 is primarily due to higher levels of debt in the first quarter of 2000 as compared to 1999. This was primarily the result of an interim funding of $7.0 million received in December 1999. As part of the interim funding agreement, the Company issued warrants valued at approximately $982,000 using the Black-Scholes option pricing model as debt discount to be amortized over the life of the financing agreement. The entire $7.0 million plus interest was paid prior to the end of the first quarter of 2000. As a result, the entire value of the warrants was amortized in the period ending March 31, 2000.

Income Taxes

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded during the quarter and nine months ended September 30, 2000 and 1999, respectively.

Liquidity and Capital Resources

On March 10, 2000, the Company completed a follow-on offering of 2,243,000 shares of common stock at an offering price of $115.00 per share. The proceeds, net of expenses, from this public offering of approximately $244.4 million were placed in investment grade cash equivalents and marketable securities. The Company believes the proceeds from this follow-on offering will be adequate to provide for the Company's capital expenditures and working capital requirements for the foreseeable future. Although operating activities may provide cash in certain periods, to the extent the Company experiences growth in the future, the

Company's operating and investing activities will use significant amounts of cash.

On March 14, 2000, the Company entered into a securities purchase agreement with Wachovia Capital Investments, Inc. Wachovia purchased a 4.5% convertible subordinated promissory note in the original principal amount of $5.0 million, which may be converted into shares of common stock of the Company. The $5.0 million was placed in investment grade cash equivalents.

Cash used in operating activities was approximately $31.2 million during the nine months ended September 30, 2000. The cash used was primarily attributable to the Company's net loss and to increases in accounts receivable and prepaid and other current assets, offset by noncash items and increases in accounts payable and accrued liabilities, and deferred revenue. Cash used in operating activities was approximately $8.4 million during the nine months ended September 30, 1999. This was primarily attributable to the Company's net loss and increases in accounts receivable and prepaid and other current assets, and decreases in deferred revenue.

Cash used for investing activities was approximately $86.7 million during the nine months ended September 30, 2000. The cash was used for acquisitions, purchases of investments in strategic partners, marketable securities, and property and equipment. The cash used for investing activities was partially offset by proceeds related to the sale of ERP assets of approximately $1.9 million. Cash used for investing activities was approximately $2.7 million during the nine month period ended September 30, 1999. Cash was used primarily to purchase property and equipment during this period.

Cash provided by financing activities was approximately $245.0 million during the nine month period ended September 30, 2000, and the cash provided by financing activities was approximately $2.3 million during the nine months ended September 30, 1999. The cash provided by financing activities during the period ended September 30, 2000 was primarily attributable to proceeds from the sale of 2,243,000 shares of common stock for approximately $244.4 million and the issuance of long-term debt of $5.0 million, which was partially offset by the repayment of $7.0 million in interim funding provided by Transamerica Business Credit Corp., Silicon Valley Bank and Sand Hill Capital II, L.P.

On October 18, 1999, the Company sold its human resources and financial software business to Geac Computer Systems, Inc. and Geac Canada Limited. The Company received approximately $13.5 million in proceeds. A gain of $9.4 million was recorded in 1999, with an additional gain of approximately $547,000 recorded in the second quarter of 2000, following the escrow settlement.

The Company had net operating loss carryforwards of approximately $70.6 million at September 30, 2000, which will expire at various dates through 2019. The Company established a valuation allowance equal to the net operating losses and all other deferred tax assets. The Company will record the income tax benefits from these deferred tax assets when it becomes more likely than not they will be realized, which will reduce the Company's effective tax rate in future periods. Section 382 of the Internal Revenue Code may limit the Company's ability to benefit from certain net operating loss carryforwards, because the Company had an ownership change of more than 50%, as defined in Section 382. The Company may not realize certain net operating loss carryforwards in future years due to this limitation.

During the first six months of 2000, the Company issued warrants and approximately 39,000 shares of the Company's common stock to certain strategic partners, some of whom are also customers, in exchange for their participation in the Company's sales and marketing efforts. The Company recorded the fair value of these warrants and common stock as deferred sales and marketing expense of approximately $986,000 and $4.4 million, respectively. Deferred sales and marketing expenses will be amortized over the term of the sales and marketing agreements which range from six months to five years.

During 1999, the Company entered into an agreement with a third party to develop certain software that it intends to sell in the future. The third party was to be compensated for these services with warrants to purchase 50,000 shares of the Company's 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. The third party completed two of the three scheduled milestones in the first quarter of 2000 and they were granted warrants to purchase 33,334 shares of the Company's common stock. The Company recorded the issuance of the warrants at the time they were earned by the third party and the warrants were valued at approximately $826,000 based on the fair value of the warrants on the date of the grant using the Black-Scholes option pricing model. The third milestone was not reached by the scheduled due date, and as a result the warrants to purchase the remaining 16,666 shares of the Company's common stock were forfeited.

During 1999, the Company entered into a reseller agreement that allows the reseller to license its products in a certain territory. The Company will receive royalty amounts from the reseller if certain minimum revenue requirements are met by the reseller. The Company will recognize these license fees as the products are licensed to end users. Additionally, the reseller has the ability to earn warrants to purchase up to 150,000 shares of the Company's common stock if certain revenue targets are met. The Company will record the issuance of the warrants at the time they are earned by the reseller based on the fair value of the warrant on the date they are earned. During the first nine months of 2000, the reseller did not license any of the Company's products. Accordingly, no warrants were granted related to the reseller agreement.

New Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement was amended in June 2000 by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Statement No. 138 will be effective for the Company beginning January 2001. The new Statement requires all derivatives to be recorded on the balance sheet at fair value and establishes accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. To date, the Company has not invested in derivative instruments nor participated in hedging activities and, therefore, does not anticipate there will be a material impact on the results of operations or financial position from Statements No. 133 or No. 138.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") and amended it in March and June 2000. We are required to adopt the provisions of SAB 101 in the fourth quarter of 2000. We are currently reviewing the provisions of SAB 101 and have not fully assessed the impact of its adoption. While SAB 101 does not supersede the software industry-specific revenue recognition guidance, with which we believe we comply with, the SEC Staff has recently informally indicated its views related to SAB 101 that may change current interpretations of software revenue recognition requirements. Such SEC interpretations could result in many software companies, including us, recording a cumulative effect of a change in accounting principles.

Risk Factors

In addition to other information in this quarterly report on Form 10-Q, the following risk factors should be carefully considered in evaluating us and our business because such factors currently may have a significant impact on our business, operating results and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements.

We may not effectively implement our business strategy.

Our future performance will depend in part on successfully developing, introducing and gaining market acceptance of our product suite, 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. We added Clarus eMarket and Clarus Auctions to our product line in the second quarter of 2000, and introduced Clarus Settlement in the third quarter of 2000. If we do not successfully implement our business-to-business e-commerce growth strategy, our business will suffer materially and adversely.

Our solutions 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 product suite 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 product suite will depend on using our existing customers as referenceable accounts. 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 solutions, which would adversely affect the perceived usefulness of our SupplierUniverse network.

We expect our product line to appeal to early stage companies, which exposes us to higher than normal credit risk.

Our product line supports Internet-based business-to-business electronic commerce solutions that automate the procurement and management of operating resources. As a result of this functionality many early stage businesses, in addition to many companies with traditional business models, are interested in acquiring our products in the future. Many early stage companies acquire their funding periodically based upon investor's perception of their progress and likelihood of success. Typically, they do not have internal operations sufficient to generate cash which would guarantee their ongoing viability. While we evaluate the ability to pay of all potential customers, if an increasing number of our customers fail in their operations and are unable to continue to pay amounts due under our license agreement, we will experience material and adverse financial losses related to these sales.

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 offer 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. 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. As of September 30, 2000, we have signed several customers to this zero capital subscription-based payment method but revenue associated with these customers in the third quarter of 2000 was immaterial.

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

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 significant costs to develop our e-commerce technology and products, and to recruit and train personnel. We believe our success is contingent upon increasing our customer base and investing in further development of our products and services. This will require significant expenditures in research and development, sales and marketing, services, and to a lesser extent support infrastructure. As a result, we will need to generate significant revenues to achieve and maintain profitability in the future. Although our revenue has grown in recent quarters, we cannot be certain that such growth will continue or that we will achieve sufficient revenues for profitability.

As we expand our international sales and marketing activities and international operations, 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. We are 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;
. increased transactions costs related to sales transactions conducted outside the U.S.;
. reduced protection of intellectual property rights and increased risk of piracy;
. challenges retaining and maintaining strategic relationships with customers and business alliances in international markets;
. foreign laws and courts may govern many of the agreements with customers and resellers;
. difficulties in maintaining knowledgeable sales representatives in other countries outside the U.S.;
. adequacy of local infrastructures outside the U.S.;
. differing technology standards;
. uncertain demand for electronic commerce;
. linguistic and cultural differences;
. the burdens of complying with a wide variety of foreign laws; and
. political, social, and economic instability.

We have limited experience in marketing, selling and supporting our products and services in foreign countries. We do not have experience developing foreign language versions of our products.

We intend to expand the geographic scope of our customer base and operations. We opened our first international sales office in the United Kingdom during the first quarter of 2000 and acquired the SAI/Rodeo companies, which have significant operations in Ireland in the second quarter of 2000. We have limited experience in managing geographically disbursed operations and in operating in Ireland.

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, the market price of our common stock could decrease substantially.

Recently, when the market price of a security has been volatile, holders of that security have often instituted securities class action lawsuits against the company that issued the security. We have been the subject of such lawsuits. These lawsuits divert the time and attention of our management and an adverse judgment could cause our financial condition or operating results to suffer.

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. 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;
- 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.

We are increasing our investment in all areas, including research and development, sales and marketing, services, and to a lesser extent support infrastructure, based upon our expectations of future revenue growth. These expenditures are relatively fixed in the short term. If our revenues fall below expectations and we are not able to quickly reduce spending in response, our operating results for that quarter and future periods may be harmed.

We may incur costs and liabilities related to potential or pending litigation.

In a number of lawsuits filed against us in October and November 2000, our company and several of our officers have been named as defendants in a number of securities class action lawsuits filed in the United States District Court for the Northern District of Georgia. The plaintiffs purport to represent a class of all persons who purchased or otherwise acquired our common stock in certain periods beginning on October 20, 1999 and through October 25, 2000. The complaints allege, among other things, that violations of Section 10(b) and (20)a of the Securities Exchange Act of 1934, as amended and Rule 10b-5 promulgated thereunder, with respect to alleged material misrepresentations and omissions made in public filings made with the Securities and Exchange Commission and certain press releases and other public statements. The plaintiffs seek unspecified damages and costs. These lawsuits divert the time and attention of management and an adverse judgment could cause our financial condition or operating results to suffer.

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.

Market adoption of our solutions 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 solutions. 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 solutions 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.

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 solutions. 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 and Clarus eMarket 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 rely on strategic selling relationships with our partners.

We have established strategic selling relationships with a number of outside companies. Some of these companies have made significant revenue commitments to us as part of these relationships. While we do not reflect these commitments in our financial statements, this information is included in "backlog" information we share with market analysts and investors. Some of these strategic selling partners may not have the ability to meet there financial commitments to us, if they are not able to generate a sufficient level of sales to meet these commitments.

We expect to depend on our Clarus eProcurement and Clarus eMarket products for a significant portion of our revenues for the foreseeable future.

We anticipate that revenues from our Clarus eProcurement and Clarus eMarket products 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 and Clarus eMarket products would seriously harm our business. Our Clarus eMarket solution was introduced in the second quarter of 2000.

Clarus eProcurement and Clarus eMarket may perform inadequately in a high volume environment.

Any failure by our principal products, Clarus eProcurement and Clarus eMarket, to perform adequately in a high volume environment could materially and adversely affect the market for Clarus eProcurement and Clarus eMarket and our business, results of operations and financial condition. Specifically, 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 solutions 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 additional 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 three acquisitions 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 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.

Financial impact of acquisition

The accounting treatment for our acquisition of the SAI/Rodeo Companies negatively impacted our results of operations in the second quarter of 2000. We recognized a write-off of acquired in-process research and amortization expense related to our second quarter of 2000 acquisition. Amortization of this acquisition will adversely affect our results of operations through 2008. The amounts allocated under purchase accounting to develop technology and in-process research and development in the acquisition involve valuation estimations of future revenues, expenses, operating profit, and cash flows. The actual revenues,

expenses, operating profits, and cash flows from the acquired technology recognized in the future may vary materially from such estimates. If the in-process research and development product is not successfully developed, our sales and profitability may be adversely affected in future periods. Additionally, the value of other intangible assets acquired may become impaired.

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 solutions 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 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.

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.

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. We do not maintain life insurance policies on any of our employees.

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 our solutions 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 and Clarus eMarkets to protect transaction data.

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 suite of business-to-business e-commerce applications, including Clarus eProcurement and Clarus eMarkets, 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 product suite 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.

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.

Investments in strategic partners

We have made several financial investments in strategic partners. These companies are primarily early-stage enterprises with limited operated histories. If these partners are unsuccessful in executing their business plans, we may experience losses on these investments, which would negatively impact our operating results.

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 solutions, 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 and Clarus eMarket 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion concerning the Company's market risk involves forward-looking statements that are subject to risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements. The Company is exposed to market risk related to foreign currency exchange rates, interest rates and investment values. The Company currently does not use derivative financial instruments to hedge these risks or for trading purposes.

Foreign Currency Risk

Substantially all of the revenue recognized to date by the Company has been denominated in U.S. dollars, including sales made internationally. As a result a strengthening of the U.S. dollar could make the Company's products less competitive in foreign markets. In addition, the Company has foreign subsidiaries which subject the Company to risks associated with foreign currency exchange rates and weak economic conditions in these foreign markets.

Interest Rate Risk

The Company is exposed to market risk from changes in interest rates primarily through its investing activities. The primary objective of the Company's investment activities to manage interest rate exposure is to invest in short-term, highly liquid investments. As a result of this strategy, the Company believes that there is no material risk exposure. The Company's investments are carried at market value, which approximates cost.

Investments

The Company has made nine equity investments of $14.7 million as of September 30, 2000. These investments are being valued at their original cost and are accounted for under the cost basis of accounting. These investments are primarily in early stage companies and are subject to significant risk due to the limited operating history of these companies.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to lawsuits in the normal course of our business. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of one or more of the following lawsuits could adversely affect our business, results of operations, or financial condition.

Following our public announcement on October 25, 2000, of our financial results for the third quarter, we and certain of our directors and officers were named as defendants in at least eight putative class action lawsuits filed in the United States District Court for the Northern District of Georgia on behalf of all purchasers of common stock of the Company during various periods beginning as early as October 20, 1999 and ending on October 25, 2000. The following is a list of those cases known to us at this time are as follows: named representative plaintiffs and case numbers: Joseph Razzano v. Clarus Corporation et al., Case No. 1:00-CV-2885; John Nittolo v. Clarus Corporation et al., Case No. 1:00-CV-2853; Gregory Jackson v. Clarus Corporation et al., Case No. 1:00-CV-2841; George Inzlicht v. Clarus Corporation et al., Case No. 1:00-CV-2872; Edio Lewis v. Clarus Corporation et al., Case No. 1:00-CV-2846; Chad Terefenko v. Clarus Corporation et al., Case No. 1:00-CV-2884; Andrew Schonzeit v. Clarus Corporation et al., Case No. 1:00-CV-[not available at this time]; and Gary W. Parnes v. Clarus Corporation et al., Case No. 1:00-CV-2942. We have received notice that other similar suits have been or may be filed.

The various class action complaints allege claims against us and other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder with respect to alleged material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and certain press releases and other public statements made by us and certain of our officers relating to our business, results of operations, financial condition and future prospects, as a result of which, it is alleged, the market price of our common stock was artificially inflated during the class periods. The class action complaints focus on statements made concerning an account receivable from one of our customers. The plaintiffs seek unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. We believe that we have complied with our obligations under the Federal securities laws and we intend to defend these lawsuits vigorously.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27.1 Financial Data Schedule

(b) Reports on Form 8-K

On August 14, 2000, the Company filed a current report on Form 8-K/A to report certain historical financial and pro forma financial information in connection with the Company's acquisition of all of the outstanding stock of SAI (Ireland) Limited, SAI Recruiting Limited, i2Mobile.com Limited and SAI America Limited pursuant to a Stock Purchase Agreement dated May 31, 2000.

SIGNATURE

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

CLARUS CORPORATION

Date: November 14, 2000 /s/ Mark D. Gagne

Chief Operating Officer and
Chief Financial Officer

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