AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 16, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CLARUS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7372	58-1972600
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION)

CLARUS CORPORATION
3950 JOHNS CREEK COURT, SUITE 100
SUWANEE, GEORGIA 30024
(770) 291-3900
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

THE CORPORATION TRUST COMPANY
CORPORATION TRUST CENTER
1209 ORANGE STREET
WILMINGTON, DELAWARE 19801
(302) 658-7581
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

G. DONALD JOHNSON, ESQ. SHARON L. MCBRAYER, ESQ. ELIZABETH O. DERRICK, ESQ. WOMBLE CARLYLE SANDRIDGE & RICE, PLLC 1275 PEACHTREE STREET, NE, SUITE 700 ATLANTA, GEORGIA 30309 (404) 872-7000	CHARLES J. KATZ, JR. ELIZABETH W. KORRELL PERKINS COIE LLP 1201 THIRD AVENUE, 40TH FLOOR SEATTLE, WASHINGTON 98101 (206) 583-8888

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

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

If this Form is being filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Securities Act"), check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. [_]

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act

Registration Statement number of the earlier effective Registration Statement for the same offering. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>
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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(1)
<S>	<C>	<C>	<C>	<C>
Common Stock, $.0001 par value.....	1,391,305	$ 0	$ 1.00	$ 0

</TABLE>

(1) In accordance with Rule 457(f), the total registration fee has been calculated based on one-third of the principal amount of par value of the securities being received by the Registrant less the amount of cash to be paid by the Registrant.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

[ELEKOM CORPORATION LOGO AND LETTERHEAD]

To the Shareholders of ELEKOM Corporation

Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders (the "Meeting") of ELEKOM Corporation ("ELEKOM") to be held at the executive offices of ELEKOM at 155 - 108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004 on October , 1998, at 8:00 a.m., local time, notice of which is enclosed.

At the Meeting, you will be asked to consider and vote on a proposal (the "Proposal") to approve the Agreement and Plan of Reorganization dated August 31, 1998 by and among Clarus Corporation (the "Company"), Clarus CSA, Inc., a wholly-owned subsidiary of the Company ("Clarus CSA"), and ELEKOM (the "Agreement") pursuant to which ELEKOM will merge with and into Clarus CSA (the "Merger"). Upon consummation of the Merger, each share of capital stock of ELEKOM (collectively, the "ELEKOM Preferred Stock" and "ELEKOM Common Stock") that is issued and outstanding at the effective time of the Merger will be converted into the right to receive (i) a specified amount of cash consideration and (ii) a number of shares of fully-paid and nonassessable common stock of the Company ("Company Common Stock") as more fully described in the accompanying Proxy Statement/Prospectus, so that the total amount of Company Common Stock to be issued to the holders of ELEKOM Preferred Stock and ELEKOM Common Stock (the "ELEKOM Shareholders") at the effective time will equal 1,350,000 shares, subject to adjustment as more particularly described in the accompanying Proxy Statement/Prospectus, and the total cash received by the ELEKOM Shareholders will equal $8.0 million (the "Merger Consideration").

The allocation of the Merger Consideration among the ELEKOM Shareholders will be determined in accordance with the Articles of Incorporation of ELEKOM based on the closing price of the Company Common Stock on the last trading day immediately preceding the Closing (the "Closing Price"). For example, if the Closing Price is $, each holder of ELEKOM Series A Preferred Stock would be entitled to receive total Merger Consideration valued at $ per share, each holder of ELEKOM Series B Preferred Stock would be entitled to

receive total Merger Consideration valued at $ per share, and each holder of ELEKOM Common Stock would be entitled to receive total Merger Consideration valued at $ per share. Cash will be paid in lieu of any fractional shares of Company Common Stock. The closing price per share of the Company Common Stock on the Nasdaq National Market on September , 1998 was $.

The Board of Directors of ELEKOM (the "Board") has unanimously approved the Agreement, together with all agreements ancillary to the Agreement, and now submits the Proposal to the ELEKOM Shareholders for approval. Attached to this letter is a Proxy Statement/Prospectus explaining the terms of the Merger and the procedures necessary to approve the Merger. APPROVAL OF THE AGREEMENT AND THE MERGER REQUIRES THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST (I) TWO-THIRDS OF THE OUTSTANDING SHARES OF COMMON STOCK OF ELEKOM, (II) TWO-THIRDS OF THE OUTSTANDING SHARES OF SERIES A PREFERRED STOCK OF ELEKOM AND (III) TWO-THIRDS OF THE OUTSTANDING SHARES OF SERIES B PREFERRED STOCK OF ELEKOM, EACH VOTING AS A SEPARATE CLASS. CONSEQUENTLY, FAILURE TO VOTE WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE AGREEMENT AND THE MERGER.

Although the Board has called the Meeting, the Board hopes to obtain unanimous written consent approving the Proposal and thereby to accelerate the closing of the Merger. Accordingly, the Board is requesting the ELEKOM Shareholders to complete, sign, date and send by facsimile or hand deliver the enclosed Proxy and Consent in Lieu of Special Meeting ("Proxy and Consent") to Wayne Burns, Chief Financial Officer of ELEKOM at (425) 586-2881 as soon as possible, and in no event later than October , 1998. Please also mail the Proxy and Consent in the envelope provided. IF YOU HAVE ANY QUESTIONS CONCERNING THE DELIVERY OF THE ENCLOSED PROXY AND CONSENT, PLEASE CALL WAYNE BURNS AT (425) 586-2781. If the Board receives the Proxy and Consent from all ELEKOM Shareholders unanimously approving the Proposal, the Proposal will be deemed properly adopted by the unanimous consent of the ELEKOM Shareholders, and the Meeting will be canceled. If the Proposal receives the unanimous consent of the ELEKOM Shareholders, you will be notified that the Proposal has been adopted, and you will be notified of the cancellation of the Meeting.

Also enclosed is a Cash/Stock Election Form, which will allow each ELEKOM Shareholder the opportunity to elect to receive the Merger Consideration payable to such shareholder in either cash or stock, subject to the proration procedures described in the attached Proxy Statement/Prospectus. The allocation of the cash and shares of Company Common Stock that you will receive will depend on the stated preferences of the other ELEKOM Shareholders on the election forms and the proration procedures to be applied. You are urged to review carefully the enclosed Proxy Statement/Prospectus, which contains a more complete description of the terms of the Merger and the election and proration procedures. You should note that the federal income tax consequences of the Merger to you will depend on whether you receive cash, stock or a combination of cash and stock in exchange for your shares of ELEKOM stock.

Whether or not you plan to attend the Meeting, you are urged to complete, sign, and promptly return the enclosed Proxy and Consent. If you attend the Meeting, you may vote in person if you wish, even if you have previously returned your Proxy and Consent. ON BEHALF OF THE BOARD OF DIRECTORS, I URGE YOU TO VOTE FOR APPROVAL OF THE AGREEMENT AND THE MERGER BY MARKING THE ENCLOSED PROXY AND CONSENT "FOR" APPROVAL OF THE AGREEMENT AND THE MERGER.

Sincerely,

Norman N. Behar
President and Chief Executive Officer

155 - 108th Avenue, NE
Eighth Floor
Bellevue, Washington
September , 1998

[ELEKOM CORPORATION LOGO AND LETTERHEAD]

ELEKOM CORPORATION

EIGHTH FLOOR
155-108TH AVENUE, NE
BELLEVUE, WASHINGTON 98004
(425) 990-3060

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD OCTOBER , 1998

Notice is hereby given that a Special Meeting of Shareholders (the "Meeting") of ELEKOM Corporation ("ELEKOM") will be held at the executive offices of ELEKOM, located at 155 - 108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004 on October , 1998, at 8:00 a.m., local time, for the following purposes:

1. Merger. To consider and vote on a proposal to approve the Agreement and Plan of Reorganization dated August 31, 1998 (the "Agreement") by and among Clarus Corporation (the "Company"), Clarus CSA, Inc., a wholly-owned subsidiary of the Company ("Clarus CSA"), and ELEKOM pursuant to which ELEKOM will merge with and into Clarus CSA, and each issued and outstanding share of capital stock of ELEKOM will be converted into (i) a specified amount of cash consideration and (ii) a number of shares of fully-paid and nonassessable common stock of the Company (the "Merger Consideration") as described more fully in the accompanying Proxy Statement/Prospectus (the "Merger").

2. Other Business. To transact such other business as may properly come before the Meeting, including adjourning the Meeting to permit, if necessary, further solicitation of proxies.

THE MERGER IS DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT/PROSPECTUS, AND A COPY OF THE AGREEMENT IS ATTACHED AS APPENDIX A THERETO.

Approval of the Agreement and the Merger requires the affirmative vote of the holders of at least (i) two-thirds of the outstanding shares of common stock of ELEKOM, (ii) two-thirds of the outstanding shares of Series A Preferred Stock of ELEKOM and (iii) two-thirds of the outstanding shares of Series B Preferred Stock of ELEKOM, each voting as a separate class. Only shareholders of record at the close of business September , 1998, the record date for the Meeting, are entitled to receive notice of and to vote at the Meeting or any adjournment or postponement thereof. Holders of ELEKOM capital stock (the "ELEKOM Shareholders") will be entitled to dissenters' rights as further described in the accompanying Proxy Statement/Prospectus. Pursuant to an agreement with the Company, ELEKOM Shareholders and the executive officers of ELEKOM who hold 100% of the outstanding shares of ELEKOM Series A Preferred Stock, 67% of the outstanding shares of ELEKOM Series B Preferred Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement and the Merger. Accordingly, approval of the Agreement and the Merger by the holders of ELEKOM Series A Preferred Stock and Series B Preferred Stock is assured.

The Board of Directors of ELEKOM (the "Board") also seeks your written consent in lieu of the Meeting to approve the proposal set forth above. If the Board receives Form of Proxy and Consent in Lieu of Special Meeting ("Proxy and Consent") from all ELEKOM Shareholders unanimously approving the Merger and the Merger Agreement, the Agreement and the Merger will be deemed properly adopted by the unanimous consent of the ELEKOM Shareholders, and the Meeting will be canceled. If the Board receives the unanimous consent of the ELEKOM Shareholders, you will be notified that the Merger and the Agreement have been approved and adopted, and you will be notified of the cancellation of the Meeting.

Please sign and return the enclosed form of Proxy and Consent in Lieu of Special Meeting as promptly as possible, whether or not you plan to attend the Meeting in person. Your proxy may be revoked at any time before it is voted by signing and returning a Proxy and Consent bearing a later date with respect to the same shares, by filing with Wayne Burns of ELEKOM a written revocation bearing a later date, or by attending and voting in person at the Meeting.

Please also sign and return the enclosed Cash/Stock Election Form pursuant to which you may elect to receive the Merger Consideration payable to you in exchange for your shares of ELEKOM stock in either cash or stock, subject to the proration procedures described in the attached Proxy Statement/Prospectus.

By Order of the Board of Directors

Wayne D. Burns, Secretary and
Treasurer

155 - 108th Avenue, NE
Eighth Floor
Bellevue, Washington
September , 1998

PROXY STATEMENT AND CONSENT SOLICITATION
FOR THE SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD OCTOBER , 1998

ELEKOM CORPORATION
155 - 108TH AVENUE, NE
EIGHTH FLOOR
BELLEVUE, WASHINGTON 98004
(425) 990-3060

PROSPECTUS
OF
CLARUS CORPORATION
3950 JOHNS CREEK COURT, SUITE 100
SUWANEE, GEORGIA 30024
(770) 291-3900
FOR
UP TO 1,391,305 SHARES OF COMMON STOCK

This Proxy Statement/Prospectus of Clarus Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Company"), relates to the issuance of shares of its common stock, par value $.0001 per share (the "Company Common Stock"), to the shareholders of ELEKOM Corporation, a Washington corporation ("ELEKOM") upon consummation of a proposed merger of ELEKOM (the "Merger") with and into Clarus CSA, Inc., a wholly-owned subsidiary of the Company ("Clarus CSA"), pursuant to the terms of that certain Agreement and Plan of Reorganization, dated August 31, 1998, by and among the Company, Clarus CSA and ELEKOM (the "Agreement") as described herein. A copy of the Agreement is attached to this Proxy Statement/Prospectus as Appendix A.

This Proxy Statement/Prospectus is also being furnished to holders (the "ELEKOM Shareholders") of shares of common stock, $.01 par value (the "ELEKOM Common Stock"), and of preferred stock, $.01 par value (the "ELEKOM Preferred Stock" and, together with the ELEKOM Common Stock, the "ELEKOM Stock"), of ELEKOM, in connection with the solicitation of proxies by ELEKOM's Board of Directors (the "ELEKOM Board") for use at the Special Meeting of ELEKOM Shareholders to be held on October , 1998, at 8:00 a.m., local time, at the principal executive offices of ELEKOM at 155 - 108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004, and at any adjournments or postponements thereof (the "ELEKOM Meeting") and in connection with the simultaneous solicitation by the ELEKOM Board of unanimous written consent approving the proposal scheduled to be addressed at the ELEKOM Meeting. Unanimous written consent must be received no later than October , 1998.

On the effective date and time of the merger (the "Effective Time"), ELEKOM will merge with and into Clarus CSA, and the separate existence of ELEKOM will cease. Subject to the terms and conditions of the Agreement, each share of ELEKOM Stock that is issued and outstanding immediately prior to the Effective Time will be converted into (i) a specified amount of cash consideration and (ii) a number of shares of fully-paid and nonassessable Company Common Stock as set forth herein (the "Merger Consideration"), so that the number of shares of the Company Common Stock issued to ELEKOM Shareholders at the Effective Time will equal 1,350,000 shares, subject to adjustment as more particularly described herein, and the total cash consideration received by the ELEKOM Shareholders will equal $8.0 million. The allocation of the Merger Consideration among the holders of ELEKOM Preferred Stock and ELEKOM Common Stock will be determined in accordance with the Articles of Incorporation of ELEKOM based on the closing price of the Company Common Stock on the last trading day immediately preceding the closing of the Merger (the "Closing

Price"). For example, if the Closing Price is $, each holder of ELEKOM Series A Preferred Stock would be entitled to receive total Merger Consideration valued at $ per share, each holder of ELEKOM Series B Preferred Stock would be entitled to receive total Merger Consideration valued at $ per share, and each holder of ELEKOM Common Stock would be entitled to receive total Merger Consideration valued at $ per share. Cash will be paid in lieu of any fractional shares of Company Common Stock. The closing price per share of the Company Common Stock on the Nasdaq National Market on September , 1998 was $.

The Company Common Stock is quoted on the Nasdaq National Market System ("NASDAQ/NMS"). ELEKOM Stock is not traded on any stock exchange or the Nasdaq/NMS or the Nasdaq Small Cap market. On August 31, 1998, the last full trading day prior to announcement of the execution of the Agreement, the closing price of a share of Company Common Stock, as reported on the Nasdaq/NMS, was $5.31. On September , 1998, the last trading day prior to the date of this Proxy Statement/Prospectus, the closing price of a share of Company Common Stock, as quoted on the Nasdaq/NMS, was $.

The Company is not soliciting proxies from its shareholders in connection with the Merger.

SEE "RISK FACTORS" COMMENCING ON PAGE 13 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY ELEKOM SHAREHOLDERS IN CONNECTION WITH THE MERGER.

THIS PROXY STATEMENT/PROSPECTUS AND THE ACCOMPANYING FORM OF PROXY AND CONSENT IN LIEU OF SPECIAL MEETING ARE FIRST BEING MAILED TO ELEKOM SHAREHOLDERS ON OR ABOUT SEPTEMBER , 1998.

THE SHARES OF COMPANY COMMON STOCK ISSUABLE IN THE MERGER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Proxy Statement/Prospectus is September , 1998.

AVAILABLE INFORMATION AVAILABLE INFORMATION

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements, and other information with the Securities and Exchange Commission (the "SEC"). ELEKOM is not subject to such reporting requirements of the Exchange Act. Copies of such reports and other information regarding the Company can be read and/or copied at the SEC's Public Reference Section at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. The public may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800- SEC-0330.The SEC maintains a Web site that contains reports and other information regarding the Company. The address of such Web site is http://www.sec.gov. The Company's web site is http://www.claruscorp.com.

This Proxy Statement/Prospectus constitutes part of the Registration Statement on Form S-4 of the Company (including any exhibits and amendments thereto, the "Registration Statement") filed with the SEC under the Securities Act of 1933, as amended (the "Securities Act"), relating to the securities offered hereby. This Proxy Statement/Prospectus does not include all of the information in the Registration Statement, certain portions of which have been omitted pursuant to the rules and regulations of the SEC. For further information about the Company and the securities offered hereby, reference is made to the Registration Statement. The Registration Statement may be inspected and copied, at prescribed rates, at the SEC's public reference facility at the address set forth above. The Company's Common Stock is traded on Nasdaq/NMS. Reports, proxy statements, and other information concerning the Company may be inspected at the offices of The Nasdaq Stock Market, Inc., located at 1735 K Street, N.W., Washington, D.C. 20006.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE INCLUDED IN THIS PROXY STATEMENT/PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ELEKOM. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION

OF AN OFFER TO BUY, THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO OR FROM ANY PERSON TO OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROXY STATEMENT/PROSPECTUS NOR ANY DISTRIBUTION OF SECURITIES MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ELEKOM SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

All information included in this Proxy Statement/Prospectus with respect to the Company was supplied by the Company and all information included herein with respect to ELEKOM was supplied by ELEKOM.

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE THAT ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. COPIES OF ANY SUCH DOCUMENTS, OTHER THAN EXHIBITS TO SUCH DOCUMENTS THAT ARE NOT SPECIFICALLY INCORPORATED BY REFERENCE HEREIN, ARE AVAILABLE WITHOUT CHARGE TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER OF SHARES OF ELEKOM'S STOCK TO WHOM THIS PROXY STATEMENT/PROSPECTUS IS DELIVERED, UPON WRITTEN OR ORAL REQUEST TO THE SECRETARY, CLARUS CORPORATION, 3950 JOHNS CREEK COURT, SUITE 100, SUWANEE, GEORGIA 30024, TELEPHONE NUMBER (770) 291-3900. TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS ANY REQUESTS SHOULD BE MADE BEFORE OCTOBER , 1998.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following reports filed by the Company pursuant to Section 13 of the Exchange Act shall be deemed to be incorporated by reference herein and to be a part hereof:

1. Current Report on Form 8-K, dated August 31, 1998, as filed with the Commission on September 4, 1998.

In addition, all reports and other documents filed with the SEC by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the date of the ELEKOM Meeting shall be deemed to be incorporated by reference herein and to be a part hereof from the date any such report or document is filed. The information relating to the Company contained in this Proxy Statement/Prospectus does not purport to be comprehensive and should be read together with the information in the documents incorporated by reference. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein (or in any other subsequently filed document that also is incorporated by reference herein) modifies or supersedes such statement. Any statement in such a document so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded. All information appearing in this Proxy Statement/Prospectus is qualified in its entirety by the information and consolidated financial statements (including notes thereto) appearing in the document incorporated herein by reference, except to the extent set forth in the immediately preceding statement.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE MATTERS DESCRIBED IN THIS PROXY STATEMENT/PROSPECTUS OTHER THAN THOSE CONTAINED HEREIN OR IN THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN. ANY INFORMATION OR REPRESENTATIONS WITH RESPECT TO SUCH MATTERS NOT CONTAINED HEREIN OR THEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ELEKOM. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF PROXY STATEMENT/PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ELEKOM SINCE THE DATE HEREOF OF THAT THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS OR IN THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THEREOF.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

<TABLE>
<CAPTION>

PAGE

<S> <C>

</TABLE>

SUMMARY

The following is a summary of certain information discussed in this Proxy Statement/Prospectus relating to the ELEKOM Meeting and the Merger, and shares of Company Common Stock to be issued to ELEKOM Shareholders at the Effective Time of the Merger. This summary does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Proxy Statement/Prospectus, including "Risk Factors" and the Company's and ELEKOM's Consolidated Financial Statements and Notes thereto. Except as otherwise indicated, all information in this Proxy Statement/Prospectus assumes that 1,350,000 shares of Company Common Stock will be issued in the Merger. ELEKOM Shareholders are urged to read carefully the entire Proxy Statement/Prospectus, including the Appendices.

THE PARTIES

THE COMPANY

Clarus Corporation (the "Company") develops, markets and supports client/server financial software applications that reduce the total cost of

ownership by minimizing the time, costs and risks associated with implementing, changing and upgrading applications. The Company's Clarus(TM) line of products is based on a flexible, open architecture called Active Architecture(R) which allows for seamless, rapid changes and upgrades without modifying the source code. The Company's software provides organizations with the broad functionality of custom-designed applications without the high total cost of ownership traditionally associated with such applications. By providing broad functionality, a flexible open architecture, and minimized implementation and modification time, the Company addresses the needs of a wide range of organizations while giving end users more control of their work environment.

The Company's Clarus(TM) product line includes a full suite of financial, human resource and procurement applications. These applications cover the full range of financial and accounting functions, including general accounting, expense accounting, revenue accounting and human resources. The Company licenses a series of modules, its Graphical Architects(R), that are designed to extend, enhance, integrate and change the look and feel of the Company's core applications. Through a visual point-and-click interface, the Graphical Architects modules allow users to personalize and configure the Company's applications without any source code programming.

Additionally, the Company has recently introduced its growing suite of Corporate Service Applications, including Clarus(TM) HRPoint(TM), Clarus(TM) Budget, Clarus(TM) OLAP and Clarus(TM) E--Procurement. In addition, the Company provides dedicated implementation services as an integral part of its solution, and believes that these services result in a high level of customer satisfaction, strong customer references and long relationships. The Company provides ongoing support services to assist customers in maintaining and updating their systems, training their employees and adding functionality as the customers' businesses grow and their requirements change.

The Company's objective is to become the leading provider of financial, human resource and corporate service applications to non-industrial organizations. The key elements of the Company's strategy are: (i) to extend its technology leadership; (ii) to leverage its expertise in financial and human resource applications; (iii) to capitalize on middle market opportunities; (iv) to leverage its installed customer base; and (v) to expand sales and marketing channels.

The Company licenses its products and services primarily through a direct sales force in the United States and Canada. The Company focuses its sales and marketing efforts on value buyers in mid-sized non-industrial organizations, including divisions of larger companies, which represent the fastest growing segment of the financial applications market. At July 31, 1998, the Company had more than 225 customers, including leading organizations such as NOVA Information Systems, Inc., National Railroad Passenger Corporation ("Amtrak"),

Blue Cross and Blue Shield of Alabama, Chartwell Re Holdings Corporation, First Data Corporation, Land's End, Inc., T. Rowe Price Associates, Inc., Shaw Industries, Inc., and Toronto-Dominion Bank.

The Company was incorporated in Delaware in 1991. On May 26, 1998, the Company completed an initial public offering of its Common Stock and sold 2.5 million shares which resulted in net proceeds of approximately $22.0 million. Unless the context otherwise requires, references in this Proxy Statement/Prospectus to the "Company" refer to Clarus Corporation and its consolidated subsidiaries, SQL Financials Services, L.L.C. (the "Services Subsidiary"), SQL Financials Europe, Inc. and Clarus CSA, Inc. The Company's principal executive offices are located at 3950 Johns Creek Court, Suite 100, Suwanee, Georgia 30024. The Company's telephone number at that address is (770) 291-3900.

ELEKOM

ELEKOM is a development stage enterprise engaged in the development of ELEKOM Procurement, an intranet-based, business-to-business electronic commerce solution that is designed to streamline the corporate procurement process. ELEKOM believes that its business-to-business commerce solution will provide its customers an application that simplifies corporate procurement procedures, decreases purchasing overhead costs and streamlines purchasing from multiple suppliers.

ELEKOM Procurement is designed to automate the creation, routing, approval and transaction functions for purchase requests and orders of non-production goods and services by creating a localized database of available products and services and providing ELEKOM's customers with Internet links to suppliers to review more detailed supplier and product information. Once deployed at a customer site, ELEKOM Procurement will automate the procurement process for non-production goods and services from requisition creation and approval routing to electronic placement of orders with suppliers. The system is designed to allow transaction communication through standard communications methods including facsimile, E-mail and electronic data interface ("EDI"). In addition to the web-based end user application, ELEKOM believes that ELEKOM Procurement will reduce the information technology ("IT") burden associated with installation, implementation, deployment and maintenance of the application through a suite of administrative tools.

Using intranet and Internet based technology, ELEKOM Procurement is designed to provide users with increased control over their purchasing processes. Traditionally, purchasing of non-production goods and services, including computer hardware and software and office supplies has been an inefficient, paper intensive process. ELEKOM believes ELEKOM Procurement will streamline and automate a company's procurement operations, reduce processing costs, improve procurement effectiveness and discourage users from purchasing outside of a customer's approved procedures.

ELEKOM was incorporated in Washington in August 1995, as a subsidiary of Egghead, Inc. (now known as Egghead.com, Inc.) ("Egghead") and has operated on a stand-alone basis since November 1997. ELEKOM's principal executive offices are located at 155-108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004. ELEKOM's telephone number at that address is (425) 990-3060.

SPECIAL MEETING OF ELEKOM SHAREHOLDERS

The ELEKOM Meeting will be held at 8:00 a.m., local time, on October , 1998, at 155-108th Avenue, NE, Eighth Floor, Bellevue, Washington, for the purpose of considering and voting on a proposal to approve the Agreement and the Merger and transacting such other business as may properly come before the meeting or any adjournments thereof. See "The ELEKOM Meeting."

Only holders of record of ELEKOM Stock at the close of business on September , 1998, the record date for the ELEKOM Meeting (the "Record Date"), will be entitled to vote at the ELEKOM Meeting. Approval of the Agreement and the Merger requires the affirmative vote of the holders of at least (i) two-thirds of the

outstanding shares of ELEKOM Common Stock, (ii) two-thirds of the outstanding shares of Series A ELEKOM Preferred Stock of ELEKOM (the "Series A Stock") and (iii) two-thirds of the outstanding shares of Series B ELEKOM Preferred Stock of ELEKOM (the "Series B Stock"), each voting as a separate class. As of the Record Date, there were shares of ELEKOM Common Stock, shares of Series A Stock and shares of Series B Stock outstanding and entitled to be voted. At the Effective Time it is anticipated that there will be shares of ELEKOM Common Stock issued and outstanding, shares of Series A Stock issued and outstanding and shares of Series B Stock issued and outstanding (assuming exercise at or before the Effective Time of all outstanding options and warrants to purchase ELEKOM Stock and repurchase at or before the Effective Time of all issued and outstanding shares of ELEKOM Stock that are subject to ELEKOM's right of repurchase).

The directors and executive officers of ELEKOM beneficially owned, as of the Record Date, shares (or approximately %) of the outstanding shares of ELEKOM Common Stock, shares (or approximately %) of the outstanding shares of Series A Stock and shares (or approximately %) of the outstanding shares of Series B Stock. Pursuant to an agreement with the Company, ELEKOM Shareholders and executive officers of ELEKOM who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of Series B Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement and the Merger. Accordingly, approval of the Agreement and the Merger by the holders of Series A Stock and Series B Stock is assured.

As of the Record Date, the directors and executive officers of the Company

did not own beneficially or of record any shares of ELEKOM Stock. See "The ELEKOM Meeting."

THE MERGER AND THE AGREEMENT

GENERAL

Pursuant to the Agreement, at the Effective Time, ELEKOM will be merged with and into Clarus CSA, a wholly-owned subsidiary of the Company, and the separate existence of ELEKOM will cease. Each share of ELEKOM Stock that is issued and outstanding immediately prior to the Effective Time will be converted into (i) a specified amount of cash consideration and (ii) a number of shares of Company Common Stock so that the total number of shares of Company Common Stock issued to ELEKOM Shareholders at the Effective Time will equal 1,350,000 shares, subject to adjustment as more particularly described herein, and the total cash consideration received by ELEKOM Shareholders will equal $8.0 million (the "Merger Consideration"). However, in the event that the Closing Price is less than $5.93, then the aggregate number of shares of Company Common Stock to be issued in the Merger shall be increased by a number of shares of Company Common Stock such that the aggregate value of such shares based on the Closing Price, will equal $8.0 million, provided that in no event will more than 1,391,305 shares of Company Common Stock be issued to ELEKOM Shareholders in the Merger. In addition, in the event that the Closing Price is less than $5.75, ELEKOM may terminate the Agreement and, if the Closing Price is less than $5.00, either party may terminate the Agreement. Consummation of the Merger is subject to approval by the ELEKOM Shareholders and is expected to occur in the fourth quarter of 1998. The ELEKOM Shareholders will own as a result of the Merger approximately % of the outstanding Company Common Stock immediately following consummation of the Merger (excluding any Company Common Stock owned by ELEKOM Shareholders prior to the Merger).

The portion of the total Merger Consideration to be received by each ELEKOM Shareholder in the Merger will be established pursuant to a formula that is based on certain requirements and liquidation preferences established by ELEKOM's Articles of Incorporation. The formula is designed to allocate the Company Common Stock and the $8.0 million cash consideration among the ELEKOM Shareholders as follows: first, to the holders of Series B Stock in an amount that satisfies the liquidation preference applicable to the Series B Stock of $.6814 per share; second, to the holders of Series A Stock, Series B Stock and ELEKOM Common Stock, such that the

holders of Series A Stock are entitled to 17.28% of the remaining consideration, and the holders of Series B Stock and the holders of ELEKOM Common Stock share, on a pro rata basis, 82.72% of the remaining consideration, all until the holders of Series A Stock have received consideration equal to $7.2092 per share. In the event any Merger Consideration remains to be distributed after the steps described above (which is not expected to occur), such consideration will be allocated among the holders of the Series A Stock, Series B Stock and the ELEKOM Common Stock on a pro rata basis. For purposes of this allocation, the value of each share of Company Common Stock to be received in the Merger will be deemed to be the Closing Price. The Closing Price of the Company Common Stock on September , 1998 was $ per share. If the Closing Price were $, the holders of Series A Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, the holders of Series B stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, and the holders of ELEKOM Common Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share (assuming exercise at or prior to the Effective Time of all outstanding vested options and warrants to purchase ELEKOM Stock and repurchase by ELEKOM, at or prior to the Effective Time, of all outstanding shares of ELEKOM Common Stock that are subject to ELEKOM's right of repurchase). As discussed below, however, each of the ELEKOM Shareholders will be given the opportunity to elect to receive his, her or its portion of the Merger Consideration in cash or stock, subject to adjustment as described in this Proxy Statement/Prospectus. See "The Merger--Basic Term of the Merger."

Each ELEKOM Shareholder may elect either to receive his or her share of the Merger Consideration in cash and Company Common Stock in the pro rata amounts that would be applicable in the absence of a cash or stock election option (a "Pro Rata Election"), or to receive his or her share of the Merger

Consideration in either as much cash as possible (a "Cash Election") or as much Company Common Stock as possible (a "Stock Election") (with any balance, if any, of such ELEKOM Shareholder's Merger Consideration payable in Company Common Stock or cash, as the case may be). If an ELEKOM Shareholder makes a Cash Election or a Stock Election, the actual amounts of cash and Company Common Stock he or she receives will depend on the valid elections made by other ELEKOM Shareholders and the ability of the Company to give effect to such elections given the fixed composition of the Merger Consideration. However, an ELEKOM Shareholder making a Cash Election will receive no less than the applicable Pro Rata Election amount of cash for his or her ELEKOM Stock, and an ELEKOM Shareholder making a Stock Election will receive no less than the applicable Pro Rata Election amount of Company Common Stock for his or her ELEKOM Stock. ELEKOM Shareholders who do not make any election will be deemed to have made a Pro Rata Election and thus will receive in exchange for their shares of ELEKOM Stock the amounts of cash and Company Common Stock that they would have received in the absence of a cash or stock election option. See "The Merger--Election Procedures."

REASONS FOR THE MERGER

The Company's Board of Directors has approved the Agreement and has determined that the Merger is desirable to the Company and its stockholders. In approving the Merger, the Company's directors considered (i) ELEKOM's market presence and recognition in the business-to-business electronic procurement market and the Company's desire to gain and exploit a market presence and recognition; (ii) ELEKOM's financial condition, earnings and operations on a prospective basis and the expected high growth potential of the electronic commerce procurement software market; (iii) the increased revenues and resources of the Company as a result of the Merger; (iv) the Company's overall strategic focus; (v) the financial terms of the Merger; and (vi) the management philosophy of ELEKOM and its compatibility with that of the Company. See "Background and Reasons for the Merger--The Company's Reasons for the Merger."

The ELEKOM Board has unanimously approved the Agreement and the Merger and has determined that the Merger is fair to, and in the best interests of, ELEKOM and its shareholders. In approving the Merger, the

ELEKOM Board considered (i) the Company's financial condition; (ii) various alternatives to the Merger, including the merits of other acquisition proposals and venture capital financing; (iii) the consideration to be received by ELEKOM Shareholders; (iv) the anticipated synergies and enhanced resources and capabilities that would be available to ELEKOM as a result of the Merger; (v) the competitive and regulatory environments for internet software generally; (vi) the current lack of marketability of the ELEKOM Stock, contrasted with the ability of ELEKOM Shareholders to trade the Company Common Stock to be received by them in the Merger on the Nasdaq/NMS; and (v) the structure of the Merger as a tax-free reorganization. ACCORDINGLY, THE ELEKOM BOARD UNANIMOUSLY RECOMMENDS THAT ELEKOM SHAREHOLDERS VOTE FOR APPROVAL OF THE AGREEMENT AND THE MERGER.

Pursuant to an agreement with the Company, ELEKOM Shareholders and executive officers of ELEKOM who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of Series B Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement and the Merger. Accordingly, approval of the Agreement and the Merger by the holders of Series A Stock and Series B Stock is assured. See "Background and Reasons for the Merger--ELEKOM's Reasons for the Merger."

FAIRNESS OPINION

NationsBanc Montgomery Securities LLC ("NMS") has rendered an opinion to the Company that, based on and subject to the procedures, matters, and limitations described in its opinion, and such other matters as it considered relevant as of the date of its opinion, the Merger Consideration to be paid by the Company pursuant to the Agreement is fair to the Company from a financial point of view. NMS's opinion is attached as Appendix B to this Proxy Statement/Prospectus. See "Background and Reasons for the Merger--Fairness Opinion."

DISSENTER'S RIGHTS

Under Washington law, holders of ELEKOM Stock who give proper notice to ELEKOM and who do not vote in favor of the Merger have the right to receive

cash equal to the "fair market value" of their ELEKOM Stock in lieu of the Merger Consideration. See "The Merger--Rights of Dissenting ELEKOM Shareholders" and Chapter 23B.13 of the Washington Business Corporation Act (the "WBCA"), a copy of which is attached hereto as Appendix C.

CLOSING OF THE MERGER

Unless otherwise agreed upon by the Company and ELEKOM, and subject to the conditions to the obligations of the parties to effect the Merger, the parties will use their reasonable efforts to cause the Merger to occur on the date on which the Agreement and Merger is approved by the requisite vote of the ELEKOM Shareholders. The parties expect that all conditions to consummation of the Merger will be satisfied so that the Merger can be consummated during the fourth quarter of 1998, although there can be no assurance as to whether or when the Merger will occur. See "The Merger--Effective Time of the Merger," "--Conditions to the Merger" and "--Termination; Amendment."

CONDITIONS TO THE MERGER

In addition to approval by ELEKOM Shareholders, consummation of the Merger is subject to various other conditions, including receipt by ELEKOM of a legal opinion concerning the federal income tax consequences of the Merger and the execution of certain ancillary agreements between the Company and certain ELEKOM Shareholders and employees, as well as certain other customary conditions. See "The Merger--Conditions to the Merger."

TERMINATION OF THE AGREEMENT

The Agreement may be terminated by either party, and the Merger abandoned, if the Merger is not completed on or before November 15, 1998. The Agreement may also be terminated if the price of the Company Common Stock trades below certain prices, and under certain other circumstances. See "The Merger--Termination; Amendment."

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The Merger has been structured to qualify as a nontaxable transaction under the Internal Revenue Code of 1986, as amended (the "Code"), to the extent that ELEKOM Shareholders receive shares of Company Common Stock in exchange for shares of ELEKOM Stock. ELEKOM Shareholders will recognize the gain realized in the exchange for federal income tax purposes, however, to the extent of cash received by them in the Merger.

The foregoing discussion is based on the Code, and current judicial and administrative interpretations of the Code, each of which is subject to change. Changes in the Code and interpretations of it may be applied retroactively. Consequently, there can be no assurance that the tax effects described in the foregoing discussion will not be changed in a manner adverse to ELEKOM or the ELEKOM Shareholders. For further discussion of the expected material federal income tax consequences to ELEKOM and the ELEKOM Shareholders, see "The Merger--Certain Material Federal Income Tax Consequences."

THIS DISCUSSION DOES NOT ADDRESS THE TAXABILITY OF THE HOLDERS OF ELEKOM PREFERRED STOCK WHO RECEIVE CASH AND COMPANY COMMON STOCK ATTRIBUTABLE TO ACCRUED DIVIDENDS OR A LIQUIDATION PREFERENCE. ELEKOM SHAREHOLDERS WHO OWN ELEKOM PREFERRED STOCK HAVING ACCRUED DIVIDENDS OR A LIQUIDATION PREFERENCE ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAXABILITY OF THE COMPANY COMMON STOCK ATTRIBUTABLE THERETO.

THE TAX CONSEQUENCES OF THE MERGER TO A PARTICULAR ELEKOM SHAREHOLDER WILL DEPEND ON THE PARTICULAR CIRCUMSTANCES OF SUCH ELEKOM SHAREHOLDER. ACCORDINGLY, EACH ELEKOM SHAREHOLDER SHOULD CONSULT WITH SUCH SHAREHOLDER'S OWN TAX ADVISORS AS TO THE FEDERAL (AND ANY STATE OR LOCAL) TAX CONSEQUENCES OF THE MERGER UNDER SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES. MOREOVER, NO INFORMATION HAS BEEN PROVIDED HEREIN AS TO FOREIGN, STATE OR LOCAL LAW, AND EACH ELEKOM SHAREHOLDER IS THEREFORE URGED TO CONSULT SUCH SHAREHOLDER'S OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE MERGER UNDER SUCH LAWS.

ACCOUNTING TREATMENT

It is anticipated that the Merger will be accounted for as a purchase

business combination.

The Company's allocation of the purchase price in the Merger will result in the allocation of $14.0 million of in-process acquired research and development which, under generally accepted accounting principles, will be expensed immediately upon completion of the Merger.

APPOINTMENT OF ELEKOM REPRESENTATIVE TO THE COMPANY'S BOARD

The Company has agreed to propose that its stockholders increase the size of its Board of Directors and to nominate Norman N. Behar, currently President and Chief Executive Officer of ELEKOM, for election to the Company's Board at the next annual meeting of the Company's stockholders. The Agreement provides that Mr. Behar shall have board observation rights until the time he is elected to the Company's Board. If Mr. Behar is elected to the Company's Board and his term expires before June 30, 2000, he will maintain board observation rights until June 30, 2000.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

Certain executive officers and directors and ELEKOM Shareholders have interests in the Merger in addition to their respective interests as ELEKOM Shareholders generally. Norman N. Behar, President and Chief Executive Officer of ELEKOM, Wayne D. Burns, Chief Financial Officer of ELEKOM, Ona Karasa, Vice President Development of ELEKOM and Todd Ostrander, Vice President Marketing of ELEKOM, will enter into employment agreements (the "Employment Agreements") with the Company at Closing, to become effective at the Effective Time, that provide for base salaries, grants of stock options and certain retention incentives. The Employment Agreements also provide for certain benefits upon termination of employment by the Company. The Company and such officers and directors are currently negotiating the terms and conditions of these Employment Agreements, which negotiations will be completed prior to or upon Closing. In addition, pursuant to the terms of the ELEKOM 1996 Stock Option Plan, immediately upon the Effective Time, one-half of all unvested shares of ELEKOM Stock subject to option awards will become fully vested. The ELEKOM 1996 Stock Option Plan provides for the exercise of options prior to vesting. Any shares issued for unvested options are subject to repurchase by ELEKOM. Upon the Effective Time, the right to repurchase one-half of the outstanding unvested shares subject to repurchase will lapse. See "The Merger--Interests of Certain Persons in the Merger."

SHAREHOLDERS' VOTING AGREEMENT

Concurrently with the execution of the Agreement, the holders of ELEKOM Preferred Stock and the executive officers of ELEKOM have entered into an agreement with the Company pursuant to which such Shareholders and officers have agreed to vote 49% of the ELEKOM Common Stock, 100% of the Series A Stock and 67% of the Series B Stock owned by them in favor of the Agreement and the Merger. See "The Merger-- Shareholders' Voting Agreement."

CERTAIN DIFFERENCES IN RIGHTS OF STOCKHOLDERS

On the Effective Date of the Merger, the ELEKOM Shareholders, whose rights currently are governed by the WBCA and by ELEKOM's Articles of Incorporation and Bylaws, will automatically become the stockholders of the Company, and their rights as such will be determined by the Delaware Business Corporation Law and by the Company's Certificate of Incorporation and Bylaws. See "The Merger--Certain Differences in Rights of Stockholders."

REGULATORY APPROVALS

Other than federal and state securities law requirements, no other federal or state regulatory requirements must be complied with or approvals obtained in connection with the Merger.

PRICES OF COMMON STOCK

The Company Common Stock is currently traded on the NASDAQ/NMS under the symbol "CLRS." The last sale price of the Company Common Stock on August 31, 1998, the last trading day before public announcement of the proposed Merger, as reported on the Nasdaq/NMS was $5.31. The last sale price of the Company

Common Stock reported by the Nasdaq/NMS prior to the mailing of this Proxy Statement/Prospectus was $.

There is no public market for shares of ELEKOM Stock. There were holders of record of ELEKOM Common Stock holders of record of Series A Stock and holders of record of Series B Stock as of the Record Date. Neither the Company nor ELEKOM has paid its shareholders any cash dividends and neither anticipates paying dividends in the foreseeable future.

COMPARATIVE PER SHARE DATA

The following table sets forth certain comparative per share data relating to net loss, cash dividends, and book value (deficit) on (i) an historical basis for the Company and ELEKOM, (ii) a pro forma basis per share of the Company Common Stock, giving effect to the Merger as if it had occurred at the beginning of the period presented for loss per share data and on the date presented for book value (deficit) per share data, and (iii) an equivalent pro forma basis per share of ELEKOM Common Stock and Preferred Stock estimated to be outstanding immediately prior to the Merger. The data also retroactively reflects the Company's three-for-two stock split on May 26, 1998. The Company and ELEKOM pro forma combined information gives effect to the Merger anticipating the use of purchase accounting and is for illustrative purposes only and is not necessarily indicative of the results of operations or combined financial position that would have resulted had the Merger been consummated at the dates or during the periods indicated, nor is it necessarily indicative of future results of operations or combined financial position.

The information shown below should be read in conjunction with, and is qualified in its entirety by, the historical financial statements of the Company and ELEKOM, including the respective notes thereto, and the unaudited pro forma financial information included herein. See "--Selected Historical Financial Data of the Company," and "--Selected Historical Financial Data of ELEKOM."

The pro forma data do not reflect any cost savings or other economic efficiencies resulting from the Merger.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	SIX MONTHS ENDED JUNE 30, 1998
<S>	<C>	<C>
BASIC AND DILUTED NET LOSS PER SHARE:		
Company historical	$ (2.97)	$(0.01)
ELEKOM historical	(103,892)	(2.55)
ELEKOM pro forma(1)	(0.84)	(0.26)
Pro forma combined(2)	(3.74)	(0.50)
Equivalent of one ELEKOM share	(0.82)	(0.11)
BOOK VALUE (DEFICIT) PER SHARE (PERIOD END):		
Company historical	(19.02)	2.65
ELEKOM historical	51,497	1.28
ELEKOM pro forma(1)	0.50	0.18
Pro forma combined	(11.97)	1.73
Equivalent of one ELEKOM share	(2.61)	0.38

</TABLE>

Neither the Company nor ELEKOM declared or paid any dividends for the periods presented.

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(1) Given the changes in ELEKOM's capital structure as a result of the 1997 recapitalization and the changes to be effected as a result of the Merger, pro forma loss and book value per share is presented. Pro forma loss and book value per share is calculated based on the number of shares of common stock and preferred stock outstanding at June 30, 1998, and has been adjusted to give effect to the conversion of all shares of preferred stock into common stock that will occur in connection with the Merger. Stock options outstanding at each period end have not been included in the loss per share calculations as their effect is antidilutive.

(2) The Company's allocation of the purchase price in the Merger will result in

the allocation of $14.0 million of in-process acquired research and development which, under generally accepted accounting principles, will be expensed immediately upon completion of the Merger. This charge has been excluded from the calculation of pro forma loss per share for these presentations due to its nonrecurring nature.

SUMMARY CONSOLIDATED FINANCIAL DATA OF THE COMPANY
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1996	1997	1997	1998
						(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Total revenues	$ 1,054	$ 3,821	$ 8,190	$13,056	$25,988	$ 9,921	$18,747
Operating loss	(2,156)	(5,157)	(7,987)	(7,658)	(3,358)	(4,127)	(41)
Net loss	(2,170)	(5,140)	(8,049)	(7,879)	(4,110)	(4,407)	(39)
Basic and diluted net loss per share	(2.23)	(5.65)	(6.19)	(5.74)	(2.97)	(3.19)	(0.01)
Weighted average common shares outstanding	975	910	1,300	1,373	1,386	1,382	3,026

</TABLE>

<TABLE>
<CAPTION>

	AT JUNE 30, 1998
	(UNAUDITED)
<S>	<C>
BALANCE SHEET DATA:	
Cash and cash equivalents	$26,090
Working capital	20,089
Total assets	40,025
Long-term debt, net of current portion	375
Total stockholders' equity	24,057

</TABLE>

SUMMARY FINANCIAL DATA OF ELEKOM
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1996	1997	1997	1998
			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Total revenues	$ 5	$ 17	--	$ 376
Operating loss	(2,378)	(4,594)	(2,546)	(1,657)
Net loss	(2,532)	(5,195)	2,814	(1,611)
Basic and diluted net loss per share	$(50,646)	$(103,892)	$(56,280)	$ (2.55)
Weighted average common shares outstanding	50	50	50	631,088
Pro forma basic and diluted net loss per share(1)			(0.84)	(0.26)
Pro forma weighted average common shares outstanding(1)			6,183,097	6,183,097

</TABLE>

<TABLE>
<CAPTION>

	AT JUNE 30, 1998 (UNAUDITED)
<S>	<C>
BALANCE SHEET DATA:	
Cash and cash equivalents	$1,467
Working capital	624
Total assets	2,099
Long-term debt, net of current portion	24
Total shareholders' equity	1,117

</TABLE>

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(1) Given the changes in ELEKOM's capital structure as a result of the 1997 recapitalization and the changes to be effected as a result of the Merger, pro forma earnings per share is presented. Pro forma earnings per share is calculated based on the number of shares of common stock and preferred stock outstanding at June 30, 1998, and has been adjusted to give effect to the conversion of all shares of preferred stock into common stock that will occur in connection with the Merger. Stock options outstanding at each period end have not been included in the loss per share calculations as their effect is antidilutive.

SELECTED PRO FORMA FINANCIAL DATA

The following unaudited pro forma condensed combined financial data is presented assuming the Merger will be accounted for as a purchase. The pro forma condensed combined balance sheet data has been prepared as if the Merger had been consummated on June 30, 1998. The pro forma condensed combined statements of operations data have been prepared as if the Merger had been consummated at the beginning of the periods presented. The following financial statements do not reflect any anticipated cost savings which may be realized by the Company after consummation of the Merger. The pro forma information does not purport to represent what the Company's results of operations actually would have been if such Merger had occurred on or for the periods presented.

The pro forma condensed financial data should be read in conjunction with the historical financial statements of the Company's and the historical financial statements of ELEKOM appearing elsewhere in this Proxy Statement/Prospectus.

<TABLE>
<CAPTION>

	AT OR FOR THE YEAR ENDED DECEMBER 31, 1997	AT OR FOR THE SIX MONTHS ENDED JUNE 30, 1998
<S>	<C>	<C>
PRO FORMA STATEMENT OF OPERATIONS DATA:		
Total revenues	$ 26,005	$18,973
Operating loss	(8,202)	(1,988)
Net loss	(10,236)	(2,180)
Basic and diluted net loss per share(1)	(3.74)	(0.50)
Weighted average common shares outstanding	2,736	4,376
PRO FORMA BALANCE SHEET DATA:		
Working capital (deficit)	(6,625)	12,013
Total assets	9,516	35,008
Redeemable convertible preferred stock.	25,112	-0-
Stockholders' equity (deficit)	(33,714)	18,058

</TABLE>

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(1) The Company's allocation of the purchase price in the Merger will result in the allocation of $14.0 million of in-process acquired research and development which, under generally accepted accounting principles, will be expensed immediately upon completion of the Merger. This charge has been excluded from the calculation of pro forma loss per share for these presentations due to its nonrecurring nature.

RISK FACTORS

For a discussion of certain risk factors that should be considered carefully by the ELEKOM Shareholders in determining whether to approve the Agreement and the Merger or to perfect their statutory appraisal rights, see "Risk Factors," beginning on page 13.

FORWARD-LOOKING STATEMENTS

This Proxy Statement/Prospectus contains certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, including or related to future results of the Company and ELEKOM (including certain projections and business trends).

These and other statements, which are not historical facts, are based largely on current expectations and assumptions of management and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, the risks and uncertainties described in "Risk Factors" beginning on page 10 herein.

Assumptions related to forward-looking statements include that the Company and ELEKOM will continue to price and market their products competitively; that competitive conditions within their respective markets will not change materially or adversely; that the demand for the Company's and ELEKOM's products will remain strong; that the Company and ELEKOM will retain key personnel; and that there will be no material adverse change in the Company's or ELEKOM's operations or businesses following the Merger.

Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company and ELEKOM. When used in this Proxy Statement/Prospectus with respect to the Company and ELEKOM, the words "estimate," "project," "intend," and "expect" and similar expressions are intended to identify forward-looking statements. Although the assumptions underlying the forward-looking statements are believed by the Company and ELEKOM to be reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in the forward-looking information will be realized. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause either of the Company or ELEKOM to alter its business strategy or capital expenditure plans which may, in turn, affect the Company's or ELEKOM's results of operations. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by the Company or ELEKOM or any other person that any strategy, objectives or other plans will be achieved. The forward-looking statements contained herein speak only as of the date hereof, and neither the Company nor ELEKOM undertakes any obligation to publicly update or revise any of these forward-looking statements.

TRADEMARKS

Active Architecture(R), Graphical Architects(R) and World Class Applications . . . Breakthrough in Time(R) are trademarks of the Company registered with the U.S. Patent and Trademark Office and Data Exchange/Graphical Architect(TM), Solution/Graphical Architect(TM), Workload/Graphical Architect(TM), Workflow/Graphical Architect(TM), Business Controls/Graphical Architect(TM) and Clarus(TM) are trademarks used by the Company. ELEKOM(R) is a trademark of ELEKOM registered with the U.S. Patent and Trademark Office. All other trademarks and registered trademarks used in this Proxy Statement/Prospectus are the property of their respective owners.

RISK FACTORS

In addition to the other information in this Proxy Statement/Prospectus, ELEKOM Shareholders should consider carefully the following risk factors in

evaluating the Merger. This Proxy Statement/Prospectus contains certain forward-looking statements that are based largely on the Company's and ELEKOM's current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from those implied by these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this section and elsewhere in this Proxy Statement/Prospectus. In light of these risks and uncertainties, many of which are described in greater detail below, there can be no assurance that the forward-looking statements contained in this Proxy Statement/Prospectus will in fact transpire.

HISTORIES OF OPERATING LOSSES; UNCERTAINTY OF FUTURE OPERATING RESULTS

The Company has incurred significant net losses in each year since its formation. As of June 30, 1998, the Company had an accumulated deficit of approximately $28.1 million. These losses have occurred, in part, because of the substantial costs incurred by the Company to develop its products, expand its product research and hire and train its direct sales force. Although the Company has achieved revenue growth and recent profitability for the quarters ended September 30, 1997, December 31, 1997 and June 30, 1998, there can be no assurance that the Company will be able to generate the substantial additional growth in revenues that will be necessary to sustain profitability. In addition to planned expenditures in connection with the Merger, the Company plans to continue to increase its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts, broaden its customer support capabilities and expand its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not offset by increased revenues, the Company's business, results of operations and financial condition would be materially adversely affected. See "Company Management's Discussion and Analysis of Financial Condition and Results of Operations."

ELEKOM is a development stage enterprise that was incorporated in August 1995 as a subsidiary of Egghead and has operated on a stand-alone basis since November 1997. Accordingly, ELEKOM has a limited operating history upon which an evaluation of its business and prospects can be based. To date, ELEKOM has generated minimal operating revenues, has incurred significant losses and has experienced substantial negative cash flow from operations. ELEKOM had an accumulated deficit as of June 30, 1998, of approximately $10.1 million, with operating losses of approximately $4.6 million for the year ended December 31, 1997. See "ELEKOM Management's Discussion and Analysis of Financial Condition and Results of Operations."

ELEKOM's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered, particularly by development stage companies in new and rapidly evolving and emerging markets. Such risks include, but are not limited to, an evolving and unpredictable business model, potential product obsolescence, uncertain adoption of the Internet as a commercial medium, dependence on key personnel and third-party relationships, management of potential growth and rapidly changing technology and competition. To address these risks, ELEKOM must, among other things, manage product obsolescence and pricing risks, identify customer tastes, maintain its customer base while attracting significant numbers of new customers and continue to develop and upgrade its development stage technologies and customer service capabilities, expand its sales and marketing efforts, including relationships with third parties, retain and motivate qualified personnel and respond to competitive developments. There can be no assurance that ELEKOM will be successful in addressing the risks it faces, and the failure to do so could have a material adverse effect on ELEKOM's and the Company's business, financial condition and results of operation. Further, in view of the rapidly evolving nature of ELEKOM's business, and its extremely limited operating history, ELEKOM believes that the analysis of its financial results is not necessarily meaningful and should not be relied upon as an indication of future performance. See "ELEKOM Management's Discussion and Analysis of Financial Condition and Results of Operations." The financial statements of ELEKOM have been prepared assuming that ELEKOM will continue as a going concern. As described in Note 1 to the financial statements, ELEKOM has suffered losses from

operations and has used significant cash in its operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 1 to

the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The prospects for the Company and the Merger must be considered in light of the considerable risks, expenses, and difficulties frequently encountered by companies in their early stage of development, particularly technology-based companies operating in unproven markets with unproven products. The Company expects to incur substantial additional costs in efforts to complete the development of the Clarus E-Procurement product and to integrate the ELEKOM Procurement software in its existing stage of development into the Company's Clarus Purchasing Control module and to market and support this product. There can be no assurance that the Company's investments in ELEKOM's products and technologies will achieve the desired returns, or that such investments will not have a material adverse effect on the financial condition and results of operations of the Company as a whole.

RISK OF FIXED MERGER CONSIDERATION

The consideration to be paid to ELEKOM Shareholders pursuant to the Agreement in exchange for all shares of ELEKOM Stock is fixed at 1,350,000 shares of the Company Common Stock and $8.0 million in cash, subject to adjustment only in the event that the Closing Price of the Company Common Stock is less than $5.93. The price of the Company Common Stock on the date of the ELEKOM Meeting and the Closing Price are likely to be different from the price on the date of this Proxy Statement/Prospectus. Such variation may result from changes in the business, operations or prospects of the Company or ELEKOM, market assessments of the likelihood that the Merger will be consummated and the timing thereof, general market and economic conditions and other factors. ELEKOM Shareholders are urged to obtain current market quotations for the Company Common Stock.

FINANCIAL IMPACT OF MERGER

The Company is in the process of completing the Merger. As a result of the accounting treatment for the Merger, the Company's results of operations will be negatively impacted. In connection with the Merger, the Company will recognize a write-off of acquired in-process research and development of approximately $14.0 million and will amortize the remainder of approximately $1.6 million over a period ranging from one month to 10 years. Such amortization will adversely affect the Company's results of operations through 2008. The consummation of additional acquisitions may significantly increase amortization costs and result in significant write-offs of acquired in-process research and development. The amounts allocated under purchase accounting to developed technology and in-process research and development in the Merger involve valuations utilizing estimations of future revenues, expenses, operating profit and cash flows. The actual revenues, expenses, operating profit and cash flows from the acquired technology recognized in the future may vary materially from such estimates. If the in-process research and development project is not successfully developed, the sales and profitability of the combined company may be adversely affected in future periods. Additionally, the value of other intangible assets acquired may become impaired. The Company expects to begin to benefit from the purchased in-process technology in the second quarter 1999.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

The Company has experienced, and is expected to continue to experience, significant fluctuations in quarterly operating results caused by many factors, including, but not limited to: (i) changes in the demand for the Company's products; (ii) the timing, composition and size of orders from the Company's customers, including the tendency for significant bookings to occur in the fourth quarter; (iii) lengthy sales cycles; (iv) spending patterns and budgetary resources of its customers; (v) the success of the Company in generating new customers; (vi) introductions or enhancements of products, or delays in the introductions or enhancements of products, by the Company or its competitors; (vii) changes in the Company's pricing policies or those of its competitors; (viii) the Company's ability to anticipate and effectively adapt to developing markets and rapidly changing technologies; (ix) the Company's ability to attract, retain and motivate qualified personnel; (x) changes

in the mix of products sold; (xi) the publication of opinions about the Company and its products, or its competitors and their products, by industry

analysts or others; and (xii) changes in general economic conditions.

The loss of any large sale, or the deferral of a large sale to a subsequent quarter, could have a material adverse effect on current quarter operating results and could cause significant fluctuations in revenues and earnings from quarter to quarter. Additionally, because the Company derives a smaller percentage of its revenues from maintenance contracts than many financial and human resource software companies with a longer history of operations, the Company does not have a significant ongoing revenue stream that may tend to mitigate quarterly fluctuations in operating results.

The Company also has experienced, and is expected to continue to experience, a high degree of seasonality, and in recent years has recognized a proportionately greater percentage of its total revenues in the fourth quarter than in any other quarter during such year. Fourth quarter revenues in 1995, 1996 and 1997 were 39.1%, 33.6% and 32.5%, respectively, of total revenues for those years. As a result of this seasonality, the Company may experience reduced net income, or even net losses, in the first, second or third fiscal quarters in any year.

Consistent with software industry practice, the Company typically ships its software promptly following receipt of a firm order. Accordingly, the Company expects to continue to operate with minimal backlog. As a result, quarterly sales and operating results depend generally on the volume and timing of orders within the quarter, the tendency of sales to occur late in fiscal quarters and the ability of the Company to fill orders received within the quarter, all of which are difficult to forecast and manage. The Company's expense levels are based in part on its expectations of future orders and sales. A substantial portion of the Company's operating expenses are related to personnel, facilities and sales and marketing programs. This level of spending for such expenses cannot be adjusted quickly and is, therefore, relatively fixed in the near term. Accordingly, any significant shortfall in demand for the Company's products in relation to the Company's expectations would have an immediate and material adverse financial effect on the Company.

Due to all of the foregoing factors, the Company believes that its quarterly operating results are likely to vary significantly in the future. Therefore, in some future quarter the Company's results of operations may fall below the expectations of securities analysts and investors. In such event, or in the event that such result is perceived by market analysts to have occurred, the trading price of the Company Common Stock would likely be materially adversely affected.

TRANSACTION EXPENSES; RISK OF INABILITY TO INTEGRATE OPERATIONS

The Company and ELEKOM estimate they will incur an aggregate of direct transaction costs of approximately $700,000 associated with the Merger and that the combined company will incur additional charges to operations, which are not currently reasonably estimable, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the Merger. The Company has never acquired a significant business. Accordingly, there can be no assurance that the Company will be able to consummate the Merger or successfully integrate ELEKOM's business into the Company's operations.

The combination of ELEKOM and the Company will require the dedication of management resources, which may temporarily distract attention from the day-to-day business of both companies. The geographical separation of the companies' respective operations may hinder efforts to integrate operations. There can be no assurance that the combination will be completed without significant disruption of the Company's and ELEKOM's businesses. Should the Company and ELEKOM not be able to combine their business in a timely and coordinated fashion, there could be a material adverse effect on operating results. In addition, anticipation of the combination of the two companies could cause uncertanties, hesitation and possible dissatisfaction among customers and potential customers and employees of the Company and of ELEKOM which could cause delays or cancellations of orders, resulting in a decline in revenue.

For the Company specifically, risks associated with the integration of ELEKOM's business include, among other things, potential disruption of the

Company's ongoing business; inability to successfully integrate ELEKOM's systems into the Company's operations; maintenance of uniform standards, controls and procedures; and possible impairment of relationships with ELEKOM employees as a result of the Merger and changes in management. Further, the Merger may involve a number of additional risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Company's or ELEKOM's business, results of operations and financial condition as a whole.

RISK OF TAXABLE TRANSACTION

Although the Merger is intended to be a reorganization qualifying for tax-free treatment with respect to the receipt of Company Common Stock (as opposed to cash), Perkins Coie LLP, tax counsel to ELEKOM, has indicated in its opinion to ELEKOM that there can be no assurance that the Internal Revenue Service would not challenge such treatment if the cash portion of the total Merger Consideration were to exceed 50% of the value of such total Merger Consideration and that there would be a significant risk that the Merger would not qualify for such treatment if the cash portion of the total Merger Consideration were to exceed 60% of the value of the total Merger Consideration.

Under the Agreement, ELEKOM or may terminate the Merger Agreement if the Closing Price of the Company Common Stock were to fall to less than $5.75 per share. The cash portion of the total Merger Consideration (excluding for purposes of this discussion cash payments by ELEKOM to repurchase shares of ELEKOM Common Stock subject to ELEKOM's right of repurchase) would be slightly more than 50% at a Closing Price of less than $5.75 per share based on the stock adjustment mechanism contained in the Agreement. At $5.00 per share, the cash portion would be in excess of 53%. If the Closing Price of Company Common Stock were to fall below $3.84 per share, the cash portion of the total Merger Consideration would be slightly more than 60%. If ELEKOM and the Company were to elect to proceed with the Merger in spite of such a Closing Price, there would be a significant risk that the Merger would be fully taxable to ELEKOM and to its shareholders. For a discussion of the material federal income tax consequences of the Merger to ELEKOM Shareholders, see "Material Federal Income Tax Consequences of the Merger." ELEKOM SHAREHOLDERS ARE URGED TO CONTACT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER.

DEPENDENCE ON DIRECT SALES MODEL

To date, the Company has sold its products exclusively through its direct sales force. The Company intends to continue to differentiate itself from many of its competitors by relying principally on its direct sales model. As a consequence of this strategy, the Company's ability to achieve significant revenue growth in the future will depend in large part on its success in recruiting, training and retaining additional direct sales and consulting personnel and on the continuing success of the direct sales force. The Company's financial success will depend in large part on the ability of the Company's direct sales force to increase sales to levels necessary to sustain profitability. In order to increase sales, the Company must hire, train and deploy a continually increasing staff of competent sales personnel. The Company believes that there is a shortage of, and significant competition for, direct sales personnel with the advanced sales skills and technological knowledge necessary to sell the Company's products. The Company's inability to hire, or failure to retain, competent sales persons would have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, by relying primarily on a direct sales force model, the Company may fail to leverage the additional sales capabilities that might be available through other sales distribution channels, which may place the Company at a disadvantage with respect to its competition. In the future, the Company intends to develop indirect distribution channels through third-party distribution arrangements. There can be no assurance that the Company will be successful in establishing third-party distribution arrangements, or that any such expansion of the Company's indirect distribution channels will result in increased revenues.

COMPETITION

The market for financial and human resource applications is intensely competitive. The Company's applications are designed for use in a client/server environment utilizing Windows NT and Unix servers. Principal competitors that offer products that run on Windows NT or Unix servers in a client/server environment include PeopleSoft, Inc. ("PeopleSoft"), Oracle Corporation ("Oracle"), and Lawson Software, Inc. ("Lawson"). In 1997, J.D. Edwards & Company introduced financial applications for use on Windows NT or Unix servers in competition with the Company. The Company also faces indirect competition from companies that sell financial software applications for use mainly on proprietary mid-range computing systems, from suppliers of custom-developed financial applications software systems, from the consulting groups of major accounting firms and from the information technology ("IT") departments of potential customers that choose to develop systems internally.

Similarly, the market for Internet procurement applications, such as ELEKOM Procurement and electronic commerce technology generally, is rapidly evolving and intensely competitive. ELEKOM Procurement is designed to compete with prepackaged electronic commerce software, software tools for developing electronic commerce applications, system integrators and business application software. In addition, potential customers may elect to develop their own electronic commerce solutions.

ELEKOM's primary competitors include other electronic procurement providers such as ARIBA, Commerce One, Tradeex, Intelisys and Trilogy. ELEKOM also faces competition from larger corporations, such as Netscape and Harbinger, who have entered the electronic procurement market. In addition, ELEKOM believes it will experience increased competition from travel and expense software companies, such as Extensity, Captura and Concur (formerly Portable Software), which recently acquired 7Software, a direct competitor. ELEKOM anticipates that some of the larger enterprise resource planning software vendors, such as SAP, which recently announced SAP Business-to-Business Procurement solution with expected availability in the fourth quarter of 1998. Other potential competitors in this category include Oracle, PeopleSoft, and Baan. Other companies who have a stated interest in electronic procurement include Microsoft Corporation, IBM, Aspect Development and Requisite Technologies.

The majority of both companies' principal current and potential competitors have significantly greater financial, technical and marketing resources and name recognition than either of the companies. In addition, because of relatively low barriers to entry and relatively high availability of capital in today's markets, the Company and ELEKOM believe that new competitors will emerge in their respective markets. The Company anticipates that it may face pricing pressures and that one or more companies in its markets may face financial failure. In the past, a number of software markets have become dominated by one or a small number of suppliers, and a small number of suppliers or even a single supplier may dominate the Company's and ELEKOM's respective markets. If the Company and ELEKOM do not offer products that continue to achieve success in their respective markets in the short term, each could suffer a loss in market share and brand name acceptance. Moreover, any material reduction in the price of the Company's or ELEKOM's products would negatively affect margins as a percentage of net revenues and would require the Company or ELEKOM to increase sales or reduce costs to maintain or increase net income. The occurrence of any of the foregoing would result in a material adverse effect on the Company's and/or ELEKOM's business, results of operations and financial condition. There can be no assurance that the Company will be able to compete effectively with current and future competitors.

RAPID TECHNOLOGICAL CHANGE; RISKS ASSOCIATED WITH NEW PRODUCTS AND PRODUCT ENHANCEMENTS

The market for financial, human resource and electronic procurement applications is characterized by rapid technological change, frequent introductions of new and enhanced products, changes in customer demands and evolving industry and financial accounting standards and practices. The introduction of products embodying new technologies and functionality can render existing products obsolete and unmarketable. As a result, the Company's and ELEKOM's future success will depend, in part, upon their ability to continue to enhance its existing products and develop and introduce new products that keep pace with technological developments,

satisfy customer requirements and preferences, while remaining price competitive and achieving market acceptance. There can be no assurance that

the Company or ELEKOM will identify new product opportunities and develop and bring new products to the market in a timely and cost-effective manner, or that products, capabilities or technologies developed by others will not render the Company's and ELEKOM's products or technologies obsolete or noncompetitive or shorten life cycles of the Company's products. In particular, ELEKOM Procurement has a limited product implementation history, and there can be no assurance as to whether it has been successfully identified as viable product opportunities, whether either can be successfully and efficiently developed and marketed or, if successfully brought to market, the period of time during which each may remain in demand. In addition to the potential acquisition of other applications or technologies in the future, the Company intends to continue to address product development and enhancement initiatives through its internal research and development staff and through the licensing of third-party technologies.

Because of these potentially rapid changes in the financial, human resource and procurement applications market, the life cycle of versions of the Company's and ELEKOM's technology is difficult to estimate. The companies' future success will depend upon its ability to address the increasingly sophisticated needs of its customers by developing and introducing enhancements to its products and technologies on a timely basis that keep pace with technological developments, emerging industry standards and customer requirements. The Company has recently released 32-bit versions of its financial applications products. The Company believes that these products offer the advanced functionality and technological capabilities necessary to compete with generally available competitive products. There can be no assurance, however, that the Company or ELEKOM will be successful in developing and marketing enhancements to existing products or in developing new products that respond to technological changes, evolving industry or accounting standards or practices or customer requirements. Any failure by the Company or ELEKOM to successfully develop and bring new or enhanced products to market that offer advanced technology and functionality adequate to compete with other available products, including such a failure with respect to ELEKOM Procurement, could have a material adverse effect on the business, results of operations and financial condition of the Company.

RISK OF PERFORMANCE DEGRADATION OF ELEKOM PROCUREMENT IN HIGH VOLUME ENVIRONMENTS

ELEKOM's computer software systems and technologies have been designed for use in environments that include, without limitation, a large number of users, large amounts of catalog and other data and potentially high peak transaction volumes. However, these software systems and technologies have neither been tested nor actually used in such high volume environments. Therefore, there can be no assurance that both ELEKOM Procurement and the third party computer software and hardware on which ELEKOM Procurement is dependant will operate without significant performance degradation when actually deployed and used in a high volume environment. Any failure by ELEKOM Procurement to adequately perform in a high volume environment could have a material adverse effect on the market for ELEKOM Procurement and the business, results of operations and financial condition of the Company.

LIMITED EXPERIENCE, AND RISKS ASSOCIATED, WITH INTERNET COMMERCE

The success of ELEKOM's computer software systems and technologies depends upon the development and expansion of the market for Internet-based packaged software applications, in particular electronic commerce applications. This market is new and rapidly evolving. The acceptance of electronic commerce generally, and the Internet specifically, as a forum for corporate procurement is highly uncertain and subject to a number of risks. Many significant issues relating to such use of the Internet (including security, reliability, cost, ease of use, quality of service and government regulation) remain unresolved and may delay or prevent the necessary growth of the Internet. 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 success of Clarus E-Procurement and of ELEKOM's software and technologies would be materially adversely affected, as well as, potentially, the Company's overall business, operating results and financial condition.

The adoption of the Internet for corporate procurement and other commercial transactions requires acceptance of 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 the Company's and ELEKOM's products and services in particular. Accordingly, there can be no assurance that a functioning market for such products will emerge or be sustainable. If the market for Internet-based packaged procurement applications fails to develop or develops more slowly than the Company and ELEKOM anticipate, or if ELEKOM Procurement and any other Internet-based products developed by the Company do not achieve market acceptance, the Company's business, operating results and financial condition could be materially adversely affected.

RISK OF INABILITY TO MANAGE GROWTH

The Company recently has experienced significant growth in its sales and operations and in the complexity of its products and product distribution channels. The Company increased its sales by approximately 217% from approximately $8.2 million in 1995 to approximately $26.0 million in 1997, and generated revenues of $18.7 million during the first six months of fiscal 1998. The Company increased the number of its employees from 105 at December 31, 1995 to 275 persons at July 31, 1998, and intends to further increase the size of its sales force and development staff to address anticipated growth in sales. The Company's growth, coupled with the rapid evolution of the Company's markets, has placed, and is likely to continue to place, significant strains on the Company's administrative, operational and financial resources and increase demands on its internal systems, procedures and controls. If the Company is unable to manage future growth effectively, the Company's business, results of operations and financial condition could be materially adversely affected.

DEPENDENCE ON KEY PERSONNEL; ABILITY TO HIRE AND RETAIN PERSONNEL

The Company's performance is substantially dependent on the performance of its key management, sales, support and technical personnel, all of whom are employed at will and are not bound by employment agreements to continue in the employ of the Company. The loss of the services of any of such personnel could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company does not maintain key person life insurance policies on any of its employees or consultants.

In completing the development of ELEKOM Procurement , the Company anticipates that it will rely heavily on the efforts of a number of employees of ELEKOM, who are expected to become employees of Clarus CSA following the Effective Time. While certain key employees of ELEKOM have entered into employment agreements with a term of employment, these employees will be employed at will and will be able to terminate their services to Clarus CSA at any time. There can be no assurance that, following the Merger, Clarus CSA will be able to retain key personnel of ELEKOM or that it will be able to attract sufficient qualified employees to support the electronic procurement business. The failure of the Company to employ and retain the necessary personnel from ELEKOM could have a material adverse effect upon the development of ELEKOM Procurement and, potentially, upon the overall business, financial condition and results of operations of ELEKOM and the Company.

The Company's and ELEKOM's success also is highly dependent on their continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, and sales and marketing personnel. Competition for such personnel is intense, and the Company and ELEKOM believe that there is a shortage of qualified personnel with the skills required to manage, develop, sell and market financial, human resource and procurement applications and enhancements in today's highly competitive environment. Accordingly, there can be no assurance that the Company will be able to attract, assimilate or retain highly qualified personnel following the Merger. The inability to attract and retain the necessary personnel would have a material adverse effect on the Company's business, results of operations and financial condition.

RISK ASSOCIATED WITH PLANNED INTERNATIONAL EXPANSION

To date, the Company has had limited experience selling or marketing its products to customers outside of the United States and Canada. In 1994, the Company investigated opportunities to market its products in the United Kingdom and ultimately determined that expansion in that market was not advantageous at that time. At the same time, the Company formed the SQL Financials Europe, Inc. ("SQL Europe"). SQL Europe currently does not conduct any operations; however, the Company may use this entity in connection with its planned international expansion. Notwithstanding that determination, the Company believes that a potential market exists for its current applications in countries other than the United States and Canada. Therefore, the Company currently intends to expand its operations outside of the United States and Canada and believes that an increasing percentage of its future sales will be derived from international sales. However, because of the Company's limited experience in international sales and marketing, no assurance can be given that the Company will be able to successfully sell its products to customers outside the United States and Canada. There are certain difficulties and risks inherent in doing business internationally, including, but not limited to: (i) costs of customizing products and services for international markets; (ii) dependence on independent resellers; (iii) multiple and conflicting regulations; (iv) exchange controls; (v) longer payment cycles; (vi) unexpected changes in regulatory requirements; (vii) import and export restrictions and tariffs; (viii) costs and difficulties in staffing and managing international operations; (ix) greater difficulty or delay in accounts receivable collection; (x) potentially adverse tax consequences; (xi) the burden of complying with a variety of laws outside the United States; (xii) the impact of possible recessionary environments in economies outside the United States; and (xiii) political and economic instability. The Company's ability to expand its business in certain countries will require modification of its products, including modifications to support foreign languages and accounting principles and practices. Furthermore, the Company expects that its export sales will be denominated predominantly in United States dollars. An increase in the value of the United States dollar relative to other currencies could make the Company's products and services more expensive and, therefore, potentially less competitive in international markets. If the Company successfully increases its international sales, its total revenues may also be affected to a greater extent by seasonal fluctuations resulting from lower sales that typically occur during the summer months in Europe and other parts of the world.

PRODUCT CONCENTRATION; MARKET ACCEPTANCE

The Company expects that revenues from its financial and human resource applications will continue to account for substantially all of the Company's product revenues for the foreseeable future. During 1997, the Company released 32-bit versions of its financial applications with enhanced functionality. Increased market acceptance of this enhanced product family is critical to the Company's ability to increase sales and therefore to sustain profitability. Any factor adversely affecting sales or pricing levels of these applications will have a material adverse effect on the Company's business, results of operations and financial condition. Factors that may affect market acceptance include the availability and price of competing products and technologies and the success of the sales efforts of the Company. Moreover, the Company anticipates that its competitors will introduce additional competitive products, particularly if demand for financial and human resource applications increases, which may reduce future market acceptance of the Company's products. The Company's future performance will also depend in part on the successful development, introduction and market acceptance of new and enhanced products. There can be no assurance that any such new or enhanced products will be successfully developed, introduced or marketed, and failure to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

ELEKOM is a development stage enterprise and has no significant historical revenue. ELEKOM's anticipated future revenues are dependent upon the completion of the development efforts related to the ELEKOM Procurement product. ELEKOM expects that substantially all of its revenues for the foreseeable future will be derived from sales of ELEKOM Procurement. Market acceptance of ELEKOM Procurement is critical to ELEKOM's ability to achieve profitability. The electronic procurement industry is also a rapidly changing industry based on new technologies which, although they have grown in acceptance in the last few years, are still not substantially relied on. There can be no assurance that there will be market acceptance of intranet-based

electronic procurement processes focused on non-production goods and services. Furthermore, there is fluid and intense competition in this nascent market, which may affect the sales efforts of ELEKOM. There can be no assurance that ELEKOM will be able to overcome these risks, and failure to do so would materially adversely affect ELEKOM's business, results of operation and financial condition.

LENGTHY SALES CYCLES

A customer's decision to license and implement the Company's financial, human resource and procurement applications and ELEKOM's procurement applications presents significant enterprise-wide implications and involves a substantial commitment of the customer's management attention and resources. The Company and ELEKOM believe that the period between initial customer contact and the customer's purchase commitment typically ranges from four to seven months for its applications. Currently, the demand for solutions to the Year 2000 problem generally has resulted in a temporary reduction in the sales cycle for many companies that have chosen to implement client/server based financial applications to resolve impending systems failure caused by the Year 2000. However, as more companies achieve Year 2000 compliance in their financial and human resource applications, and as a result of the increased complexity of the Company's and ELEKOM's products and an increase in the number and sophistication of competing products, sales cycles are likely to increase in the future. Accordingly, both companies' future sales cycle could extend beyond current levels as a result of lengthy evaluation and approval processes that typically accompany major initiatives or capital expenditures, including delays over which the Company and ELEKOM have little or no control. The loss of individual orders due to increased sales and evaluation cycles, or delays in the sale of even a limited number of systems, could have a material adverse effect on both the Company's and ELEKOM'S business, results of operations and financial condition and, in particular, could contribute to significant fluctuations in operating results on a quarterly basis.

PROPRIETARY RIGHTS AND LICENSING

The Company's and ELEKOM's success depends significantly upon its internally developed proprietary intellectual property and intellectual property licensed from others. The Company and ELEKOM each rely on a combination of copyright, trademark and trade secret laws as well as on confidentiality procedures and licensing arrangements, to establish and protect its proprietary rights in its products. The Company and ELEKOM currently have no patents or patent applications pending, and existing trade secret and copyright laws provide only limited protection of the Company's proprietary rights. The Company has registered or applied for registration for certain copyrights and trademarks, and ELEKOM also has registered or applied for registration of certain trademarks. Both companies will continue to evaluate the registration of additional copyrights and trademarks, and ELEKOM also has registered or applied for registration of certain trademarks. Both companies will continue to evaluate the registration of additional copyrights and trademarks as appropriate. Despite the Company's and ELEKOM's efforts to protect their respective proprietary rights, unauthorized parties may attempt to copy aspects of the Company's and ELEKOM's products or to obtain and use information that the Company or ELEKOM regard as proprietary. Third parties may also independently develop products similar to the Company's and ELEKOM's products. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States.

The Company and ELEKOM enter into license agreements with their respective customers. These license agreements provide for the customer's non-exclusive right to use the object code version of the Company's or ELEKOM's products. The license agreements prohibit the customer from disclosing to third parties or reverse engineering the Company's or ELEKOM's products and disclosing the Company's or ELEKOM's other confidential information. In certain rare circumstances, typically for the earliest releases of the Company's products, the Company has granted its customers a source code license, solely for the customer's internal use.

The Company and ELEKOM have in the past licensed and may in the future license on a non-exclusive basis third-party software for use and distribution with their respective applications. Because these third-party software licenses are non-exclusive, no assurance can be given that these licensors will not grant similar licenses

to the Company's or ELEKOM's competitors. Expiration or termination of the Company's or ELEKOM's third-party licenses or the inability of the Company's or ELEKOM's licensors to adequately maintain or update software would adversely affect their ability to ship certain products. While it may be necessary or desirable in the future or ELEKOM to obtain third-party software licenses from alternative sources, there can be no assurance that the Company or ELEKOM will be able to do so on commercially reasonable terms, if at all.

Although the Company and ELEKOM do not believe that they are infringing the intellectual property rights of others, claims of infringement are becoming increasingly common as the software industry matures and expanded legal protections are applied to software products. Third parties may assert infringement claims against the Company or ELEKOM with respect to the Company's and ELEKOM's proprietary technology, intellectual property licensed from others or the intellectual property to be acquired in the Merger. Generally, the Company's and ELEKOM's third-party software licensors indemnify the Company from claims of infringement, and certain shareholders of ELEKOM will indemnify the Company from various losses relating to the intellectual property to be acquired in the Merger. However, if the Company were to receive a claim of infringement relating to third-party software distributed by the Company there would be no assurance that the Company's licensors will be able to fully indemnify the Company for such claim, if at all. Similarly, there would be no assurance that the Company would be fully indemnified if it were to incur losses based on an infringement or other claim relating to the intellectual property to be purchased from ELEKOM. Infringement claims against the Company could cause product release delays, require the Company to redesign its products or require the Company to enter into royalty or license agreements, which agreements may not be available on terms acceptable to the Company or at all. Furthermore, litigation, regardless of the outcome, could result in substantial cost to the Company, divert management attention and delay or reduce customer purchases. Any infringement claim against the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

THIRD PARTY PATENT AND OTHER INTELLECTUAL PROPERTY RIGHTS

There is a risk that one or more of the Company's or ELEKOM's products may, in the future, be found to infringe the patent rights of one or more third parties. Because knowledge of a third party's patent rights is not required for a determination of patent infringement and because new patents are being issued by the U.S. Patent and Trademark Office on an ongoing basis, this is an ongoing risk for the Company and ELEKOM. The Company is undertaking a patent search in an effort to determine whether any aspect of ELEKOM's products infringes upon any third party's patent rights, and the Closing of the Merger is conditioned upon the Company's satisfaction with the results of the search.

In addition to the risk of infringing a third party's patent rights, there is a risk that the products of either the Company or ELEKOM may infringe upon other intellectual property rights of third parties (e.g. copyrights, trademarks and trade secrets). Both the Company and ELEKOM have taken steps to ensure that their employees and contractors have assigned to either the Company or ELEKOM all of such third parties' rights in and to any of the computer software, inventions and other work product created by such third party for or on behalf of either the Company or ELEKOM. In addition, both the Company and ELEKOM have taken steps to ensure that they have the proper licenses in place for the use and distribution of all third party company software included in or with their products.

The Company and ELEKOM have not been notified that any of their products infringe any patent or copyright of a third party or that they have misappropriated the trade secrets of any third party and are not aware of any such infringement or misappropriation at this time. However, if it is later determined that a third party's patent or other intellectual property rights apply to a product of either the Company or ELEKOM, there is a material risk that the revenue from the sale of such product will be significantly reduced or eliminated as the Company or ELEKOM may have to (i) pay licensing fees or royalties to such third party in order to continue selling the product; (ii) incur substantial expense in the modification of the product so that the third party's patent or other intellectual property rights no longer apply to such product; or (iii) stop selling the product. In addition, if a product is adjudged to be infringing a third party's patent or other intellectual property rights, then the Company or ELEKOM may be liable to such third party

for actual damages and attorneys' fees. If the

infringement of a third party's patent were found to be wilful on the part of the Company or ELEKOM, then the third party might be able to recover treble damages plus attorneys fees and costs.

RISK OF PRODUCT DEFECTS; PRODUCT LIABILITY

As a result of their complexity, software products may contain undetected errors or failures when first introduced or as new versions are released. There can be no assurance that, despite testing by the Company and ELEKOM and testing and use by current and potential customers, errors will not be found in new applications after commencement of commercial shipments or, if discovered, that either the Company or ELEKOM will be able to successfully correct such errors in a timely manner or at all. The Company and ELEKOM could, in the future, lose revenues as a result of software errors or other product defects. Both companies' products and future products are intended for use in applications that may be critical to a customer's business. As a result, the Company's and/or ELEKOM's customers and potential customers might have a greater sensitivity to product defects than the market for software generally. The occurrence of errors and failures in the Company's or ELEKOM's products could result in the loss of or delay in market acceptance of either company's applications, and alleviating such errors and failures could require significant expenditure of capital and other resources by the Company. The consequences of such errors and failures could have a material adverse effect on the Company's business, results of operations and financial condition.

Since the Company's financial applications are used by its customers for financial reporting and analysis and payroll processing, any design defects, software errors, misuse of the Company's products, incorrect data from network elements or other potential problems within or out of the Company's control that may arise from the use of the Company's products could result in financial or other damages to the Company's customers. Although the Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential claims as well as any liabilities arising from such claims, such provisions may not effectively protect the Company against such claims and the liability and costs associated therewith. The Company does not maintain product liability insurance. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition. The Company provides warranties for its products after the software is purchased for the period in which the customer maintains the Company's support of the product. The Company generally supports only current releases and the immediately prior releases of its products. The Company's license agreements generally do not permit product returns by the customer, and product returns and warranty expense for 1995, 1996, 1997 and the first six months of 1998 represented less than 8.3%, 4.9%, 1.2% and 1.1% of total revenues during each respective period. However, no assurance can be given that product returns will not increase as a percentage of total revenues in future periods.

Since ELEKOM's procurement applications are used by its customers for procurement processing and analysis, any design defects, software errors, misuse of the ELEKOM product, incorrect data from network elements or other potential problems within or out of ELEKOM's control that may arise from the use of an ELEKOM product could result in financial or other damages to ELEKOM's customers. Although ELEKOM's license agreements with its customers typically contain provisions designed to limit ELEKOM's exposure to potential claims as well as any liabilities arising from such claims, such provisions may not effectively protect ELEKOM against such claims and the liability and cost associated therewith. ELEKOM does maintain errors and omissions insurance, however there can be no assurance that this insurance will cover such a claim. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition. ELEKOM provides warranties for its product after the software is purchased for a fixed amount of time. ELEKOM generally supports only current releases and the immediately prior releases of its products. ELEKOM's license agreements generally do not permit product returns by the customer and product return and warranty expenses have not been material to date.

RELIANCE ON THIRD-PARTY SOFTWARE; YEAR 2000 COMPLIANCE

The Company maintains nonexclusive license agreements with Microsoft

Corporation, Oracle Corporation and Sybase, Inc. that allow the Company to integrate its products with relational database management systems

provided by these companies. ELEKOM maintains nonexclusive license agreements with Microsoft Corporation that allow ELEKOM to integrate its product with relational database management systems provided by Microsoft Corporation. If the Company's or ELEKOM's customers experience significant problems with these database management systems and such problems are not corrected by the database system provider, there can be no assurance that the Company's or ELEKOM's customers will be able to continue to use the Company's or ELEKOM's products. Additionally, the Company's or ELEKOM's inability to maintain upward compatibility with a new database management system release could impact the ability of the Company's or ELEKOM's customers to use the Company's or ELEKOM's products. The customer's inability to use the Company's or ELEKOM's products would affect customer's renewal of software maintenance for such products, which would have a material adverse effect on the Company's or ELEKOM's business, results of operations and financial condition.

The Company relies on non-exclusive license agreements with Arbor Software Corporation, Centura Corporation, FRx Software Corporation and ELEKOM, and others for third-party software that is distributed by the Company. The loss of, or inability to maintain, any of these software licenses would result in delays or reductions in product shipments until equivalent software could be identified, licensed or developed. Any such delays could have a material adverse effect on the Company's business, operating results and financial condition. Further, in some instances the Company only receives object code from its licensors, causing the Company to be reliant on software support services from third parties. If these third parties fail to satisfy their maintenance obligations to the Company, then the Company would likely fail to satisfy its software support obligations to its customers. Any such failure would have a material adverse effect on the Company's business, results of operations and financial condition.

ELEKOM has also entered into agreements with Seagate Software, Inc., Intuitive Data Solutions and other third party licensors with customary warranty, software maintenance and infringement indemnification terms for third party software that is distributed by ELEKOM. The loss or inability to maintain any of these software licenses could result in delays or reductions in product shipments until equivalent software could be identified, licensed or developed. Any such delays could have a material adverse effect on the ELEKOM's business, operating results and financial condition.

The termination of any such licenses or the failure of any of these third-party licensors to adequately maintain or update their products could delay the shipment of certain of the Company's or ELEKOM's products while it seeks to implement software offered by alternative sources, and any required replacement licenses could prove costly. While it may be necessary or desirable in the future to obtain other licenses relating to one or more of the Company's or ELEKOM's products or relating to current or future technologies, there can be no assurance that the Company or ELEKOM will be able to do so on commercially reasonable terms or at all.

The Company's and ELEKOM's applications are designed to be Year 2000 compliant. However, both companies are in the process of determining the extent to which third-party licensed software distributed by and used in the products of either company is Year 2000 compliant, as well as the impact of any non-compliance on the companies and their customers. Additionally, in the event relational database management systems used with the Company's and ELEKOM's software are not Year 2000 compliant, there can be no assurance that the Company's or ELEKOM's customers will be able to continue to use the Company's or ELEKOM's products. The companies do not currently believe that the effects of any Year 2000 non-compliance in their installed base of software will result in a material adverse impact on the their business or financial condition. However, the companies investigation with respect to third-party software is in its preliminary stages, and no assurance can be given that either the Company or ELEKOM will not be exposed to potential claims resulting from system problems associated with the century change. See "ELEKOM Management's Discussion and Analysis of Financial Condition and Results of Operations--Impact of Year 2000."

RELIANCE ON MICROSOFT TECHNOLOGIES

The Company and ELEKOM have entered into partnership and marketing arrangements with Microsoft. The Company's products operate with or are based on Microsoft's proprietary products such as: Windows NT,

Visual C++, Foundation Classes, Active X, OLE/COM, SQL Server and Visual Basic. The Company and ELEKOM have designed their products and technology to be compatible with new developments in Microsoft technology. Although both the Company and ELEKOM believe that Microsoft technologies are currently widely utilized by businesses of all sizes, there can be no assurance that businesses will continue to adopt such technologies as anticipated, will migrate from older Microsoft technologies to newer Microsoft technologies or will not adopt alternative technologies that neither the Company nor ELEKOM supports.

RISKS ASSOCIATED WITH GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES

Neither the Company nor ELEKOM is currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally, and there are currently few laws or regulations specifically addressing commerce on the Internet. Due to the increasing use and growth of the Internet; however, it is possible that such laws and regulations may be adopted covering issues such as user privacy, pricing and characteristics and quality of products and services. The Telecommunications Act of 1996, which was enacted in January 1996, prohibits the transmission over the Internet of certain types of information and content. The scope and applicability of this statute are currently unsettled, but the imposition upon the Company or ELEKOM of potential liability for information carried on or disseminated through its application systems by this or other laws could require either the Company or ELEKOM to attempt to reduce its exposure to such liability, which could require significant expenditures, or to discontinue certain services. The adoption of any such laws or regulations also could slow the growth of the Internet, which could in turn adversely affect both the Company's and ELEKOM's businesses, operating results or financial condition. Moreover, the applicability to the Internet of existing laws governing issues such as property ownership, libel and personal privacy is uncertain.

As a result of customer demand, it is possible that ELEKOM Procurement will be required to incorporate encryption technology, the export of which is regulated by the United States government. There can be no assurance that export regulations, either in their current form or as they may be subsequently enacted, will not limit the Company's or ELEKOM's ability to distribute its software outside the United States. Moreover, legislation or regulation may further limit levels of encryption or authentication technology that the Company and ELEKOM are able to utilize in its software. Any revocation or modification of the Company's or ELEKOM's export authority, unlawful exportation of the Company's or ELEKOM's software, or adoption of new legislation or regulation relating to exportation of software and encryption technology could have a material adverse effect on the prospects for ELEKOM Procurement and, potentially, on the Company's or ELEKOM's business, financial condition, and operating results as a whole.

RISKS ASSOCIATED WITH ENCRYPTION TECHNOLOGY

A significant barrier to commerce involving the Internet is the secure exchange of value and confidential information over public networks. It is anticipated that ELEKOM Procurement will rely on encryption and authentication technology to provide the security and authentication necessary to render secure the exchange of valued and confidential information. There can be no assurance that advances in computer capabilities, discoveries in the field of cryptography or other events or developments will not result in a compromise of any encryption methods employed in ELEKOM Procurement to protect transaction data. If any such compromise of security were to occur, it could have a material adverse effect on the Company's business, financial condition, and operating results.

CONTROL BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The Company's executive officers and directors, and their affiliates, as a group, will beneficially own approximately 29.9% of the Company's outstanding Common Stock upon completion of the Merger. As a result, these stockholders are able to influence matters requiring approval by the stockholders of the Company, including the election of directors and approval of significant corporate transactions.

LIMITED PERIOD OF PUBLIC TRADING; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to May 1998, there was no public market for the shares of Common Stock of the Company, and there can be no assurance that an active public market for the shares of Common Stock of the Company will be sustained in the future. The market price of the shares of Common Stock has been and may continue to be highly volatile and could be subject to wide fluctuations in response to variations in results of operations, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many high technology companies and that often have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the shares of Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, results of operations and financial condition.

DILUTION; SHARES ELIGIBLE FOR FUTURE SALE

The Company will issue up to 1,391,305 shares of the Company Common Stock in the Merger, which will dilute by approximately % the ownership interest and voting power of the Company stockholders (on a fully diluted basis assuming the exercise of all currently outstanding options to purchase the Company Common Stock). In addition, the Merger will adversely affect the Company's earnings for financial statement purposes due to the amortization of goodwill, which will not initially be offset by contributions to earnings from ELEKOM's operations.

Sales of a substantial number of shares of the Company's Common Stock in the public market, or the perception that such sales could occur, could adversely affect the market price of such stock. In connection with the Company's initial public offering, all officers and directors and substantially all of the pre-offering stockholders of the Company entered into lockup agreements that will expire and 5,929,650 shares will become eligible for sale upon expiration of the lock-up agreements on November 22, 1998, subject to the provisions of Rules 144 and 701 of the Securities Act. One such stockholder has entered into a lock-up agreement with respect to 117,188 shares, which will expire on May 26, 1999. In addition, the holders of the stock options granted during the period of January 1, 1998 through March 31, 1998 whose options have been fully vested have entered into lock-up agreements restricting the sale or transfer of such shares for a four-year period following the date of the initial public offering, with 25% of such shares being released from such restriction on each anniversary of May 26, 1998. The Company has filed a Registration Statement on Form S-8 that has made eligible for sale an additional 2,581,496 shares issuable upon the exercise of stock options. Of these 2,581,496 shares, 283,597 shares are subject to the four year lock-up described above. The holders of 5,929,800 shares of Common Stock are entitled to certain rights with respect to registration of such shares for sale to the public beginning after November 22, 1998.

The Company believes that shares of Common Stock issued to the ELEKOM Shareholders generally will be eligible for resale immediately following the Effective Time, subject, in the case of recipients who are "affiliates" of ELEKOM at the Effective Time, to Rule 145 under the Securities Act. The holders of Series A Stock and Series B Stock and Norman N. Behar have agreed with the Company not to sell any shares of Company Common Stock received by them in connection with the Merger until the earlier of nine months after the Effective Time, or October 1, 1999. After that date, such shares will be freely tradable, subject to Rules 144 (in the case of former ELEKOM Shareholders who are then "affiliates" of the Company) and 145 (in the case of former ELEKOM Shareholders who were "affiliates" of ELEKOM at the Effective Time but who are not then "affiliates" of the Company). The Company has granted piggy-back registration rights to holders of Series A Stock, Series B

Stock and Norman N. Behar which will enable such shareholders to trade their shares of

Company Common Stock received in the Merger if the Company files a registration statement before the expiration of the lock-up agreement.

POTENTIAL ISSUANCE OF PREFERRED STOCK; ANTITAKEOVER PROVISIONS

The Company's Certificate of Incorporation permits the issuance of up to 5,000,000 shares of preferred stock and permits the Board of Directors to fix the rights, preferences, privileges and restrictions of such shares without any further vote or action by the Company's stockholders. Although the Company has no current plans to issue new shares of preferred stock, the potential issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of, and the voting and other rights of the holders of, Common Stock. The Company's Board of Directors is divided into three classes, each of which serves for a staggered three-year term. Such staggered board may make it more difficult for a third party to gain control of the Company's Board of Directors. In addition, certain provisions of the Company's corporate charter and by-laws and of Delaware law may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by the Board of Directors including takeovers which certain stockholders may deem to be in their best interest.

THE ELEKOM MEETING

GENERAL

This Proxy Statement/Prospectus is being furnished to the ELEKOM Shareholders in connection with the solicitation by the ELEKOM Board of proxies for use at the ELEKOM Meeting. The ELEKOM Meeting will be held at 8:00 a.m., local time, on October , 1998, at the executive office of ELEKOM, located at 155-108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004 for the following purposes:

1. Merger. To consider and vote on a proposal to approve the Agreement pursuant to which ELEKOM will merge with and into Clarus CSA, and each issued and outstanding share of ELEKOM Stock will be converted into (i) a specified amount of cash consideration and (ii) a number of shares of fully-paid and nonassessable Company Common Stock as more fully described herein.

2. Other Business. To transact such other business as may properly come before the Meeting, including adjourning the Meeting to permit, if necessary, further solicitation of proxies.

Approval of the Agreement and the Merger requires the affirmative vote of (i) the holders of two-thirds of the outstanding shares of Series A Stock, (ii) the holders of two-thirds of the outstanding shares of Series B Stock and (iii) the holders of two-thirds of the outstanding shares of ELEKOM Common Stock. Only shareholders of record at the close of business September , 1998, are entitled to receive notice of and to vote at the Meeting or any adjournment or postponement thereof. Pursuant to an agreement with the Company, ELEKOM Shareholders who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of ELEKOM Series B Stock and 49% of the outstanding shares of Common Stock have agreed to vote for approval of the Merger and Agreement. Accordingly, approval of the Agreement and the Merger by the holders of Series A Stock and Series B Stock is assured.

The ELEKOM Board unanimously recommends that ELEKOM Shareholders vote "FOR" approval of the Agreement and the Merger.

ELEKOM's Board is also seeking the ELEKOM Shareholders' written consent in lieu of the Meeting to approve the Agreement and the Merger. In the event such consents are received from ELEKOM Shareholders unanimously approving the Agreement and the Merger, the proposal will be deemed properly adopted by the unanimous consent of the ELEKOM Shareholders in lieu of the Meeting, and the Meeting will be cancelled. If this is the case, the ELEKOM Shareholders will be notified that the Agreement and the Merger have been approved and that the Meeting has been cancelled.

ELEKOM Shareholders are requested to promptly sign, date, and fax or hand deliver the accompanying Proxy and Consent to Wayne Burns, Chief Financial Officer of ELEKOM at (425) 586-2781 as soon as possible, but in no event later than October , 1998. Please mail the Proxy and Consent to ELEKOM in the enclosed postage-paid envelope. Any ELEKOM Shareholder who has delivered a proxy may revoke it at any time before it is voted by giving notice of revocation in writing or submitting to ELEKOM a signed proxy bearing a later date, provided that such notice or proxy is actually received by ELEKOM prior to the taking of the shareholder vote or by electing to vote in person at the ELEKOM Meeting. Any notice of revocation should be sent to 155-108th Avenue, NE, Eighth Floor, Bellevue, Washington 98004. Attention: Wayne Burns. The shares represented by properly executed proxies received at or prior to the ELEKOM Meeting and not subsequently revoked will be voted as directed in such proxies. IF INSTRUCTIONS ARE NOT GIVEN, SHARES REPRESENTED BY PROXIES RECEIVED WILL BE VOTED FOR APPROVAL OF THE AGREEMENT AND THE MERGER AND IN THE DISCRETION OF THE PROXY HOLDER AS TO ANY OTHER MATTERS THAT PROPERLY MAY COME BEFORE THE ELEKOM MEETING. As of the date of this Proxy Statement/Prospectus, ELEKOM is unaware of any other matters to be presented at the ELEKOM Meeting.

Solicitation of proxies will be made by mail but also may be made by telephone or in person by the directors, officers, and employees of ELEKOM, who will receive no additional compensation for such solicitation but may be reimbursed for out-of-pocket expenses. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward solicitation materials to the beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses.

ELEKOM Shareholders should not forward any stock certificates with their forms of Proxy and Consent.

RECORD DATE; VOTE REQUIRED

ELEKOM's Board has established the close of business on September , 1998, as the Record Date for determining the shareholders entitled to notice of and to vote at the ELEKOM Meeting. Only record holders of ELEKOM Stock as of the Record Date will be entitled to vote at the ELEKOM Meeting. Approval of the Agreement and the Merger requires the affirmative vote of (i) the holders of two-thirds of the outstanding shares of the Series A Stock, (ii) the holders of two-thirds of the outstanding shares of the Series B Stock and (iii) the holders of two-thirds of the outstanding shares of ELEKOM Common Stock. Therefore, an abstention or failure to return a properly executed Proxy and Consent will have the same effect as a vote against the Agreement and the Merger. As of the Record Date, there were approximately holders of shares of ELEKOM Common Stock, holders of shares of Series A Stock and holders of shares of Series B Stock outstanding and entitled to vote at the ELEKOM Meeting, with each share entitled to one vote.

The presence, in person or by proxy, of a majority of the outstanding shares of ELEKOM Stock is necessary to constitute a quorum of the ELEKOM Shareholders for the taking of any action at the ELEKOM Meeting. For these purposes, holders of shares of ELEKOM Stock that are present, or represented by proxy, at the ELEKOM Meeting will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on the Agreement.

The directors and executive officers of ELEKOM and their affiliates beneficially owned, as of the Record Date, shares (or approximately % of the outstanding shares) of ELEKOM Stock.

Pursuant to an agreement with the Company, ELEKOM Shareholders who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of Series B Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement. Accordingly, approval of the Agreement and the Merger by the holders of Series A Stock and Series B Stock is assured.

As of the Record Date, the directors and executive officers of the Company and their affiliates did not beneficially own any shares of ELEKOM Stock. As of that date, neither ELEKOM nor the Company held any shares of ELEKOM Stock in a fiduciary capacity for others.

The portion of the total Merger Consideration to be received by each ELEKOM Shareholder in the Merger will be established pursuant to a formula that is based on certain requirements and liquidation preferences established by ELEKOM's Articles of Incorporation. The formula is designed to allocate the Company Common Stock and the $8.0 million cash consideration among the ELEKOM Shareholders as follows: first, to the holders of Series B Stock in an amount that satisfies the liquidation preference applicable to the Series B Stock of $.6814 per share; second, to the holders of Series A Stock, Series B Stock and ELEKOM Common Stock, such that the holders of Series A Stock are entitled to 17.28% of the remaining consideration, and the holders of Series B Stock and the holders of ELEKOM Common Stock share, on a pro rata basis, 82.72% of the remaining consideration, all until the holders of Series A Stock have received consideration equal to $7.2092 per share. In the event any Merger Consideration remains to be distributed after the steps described above (which is not expected to occur), such consideration will be allocated among the holders of the Series A Stock, Series B Stock and the ELEKOM Common Stock on a pro rata basis. For purposes of this allocation, the value of each share of Company Common Stock to be received in the Merger will be deemed to be the Closing Price. The Closing Price of the Company Common Stock on September , 1998 was $ per share. If the Closing Price were $, the holders of Series A Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, the holders of Series B stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, and the holders of ELEKOM Common Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share (assuming exercise at or prior to the Effective Time of all outstanding vested options and warrants to purchase ELEKOM Stock and repurchase by ELEKOM, at or prior to the Effective Time, of all outstanding shares of ELEKOM Common Stock that are subject to ELEKOM's right of repurchase). As discussed below, however, each of the ELEKOM Shareholders will be given the opportunity to elect to receive his, her or its portion of the Merger Consideration in cash or stock, subject to adjustment as described in this Proxy Statement/Prospectus. See "The Merger--Basic Term of the Merger.

Each ELEKOM Shareholder may elect either to receive his or her share of the Merger Consideration in cash and Company Common Stock in the pro rata amounts that would be applicable in the absence of a cash or stock election option (a "Pro Rata Election"), or to receive his or her share of the Merger Consideration in either as much cash as possible (a "Cash Election") or as much Company Common Stock as possible (a "Stock Election") (with any balance, if any, of such ELEKOM Shareholder's Merger Consideration payable in Company Common Stock or cash, as the case may be). If an ELEKOM Shareholder makes a Cash Election or a Stock Election, the actual amounts of cash and Company Common Stock he or she receives will depend on the valid elections made by other ELEKOM Shareholders and the ability of the Company to give effect to such elections given the fixed composition of the Merger Consideration. However, an ELEKOM Shareholder making a Cash Election will receive no less than the applicable Pro Rata Election amount of cash for his or her ELEKOM Stock, and an ELEKOM Shareholder making a Stock Election will receive no less than the applicable Pro Rata Election amount of Company Common Stock for his or her ELEKOM Stock. ELEKOM Shareholders who do not make any election will be deemed to have made a Pro Rata Election and thus will receive in exchange for their shares of ELEKOM Stock the amounts of cash and Company Common Stock that they would have received in the absence of a cash or stock election option. See "The Merger--Election Procedures."

ELECTION PROCEDURES

As described above, holders of ELEKOM Stock will be entitled to make a Pro Rata Election, a Cash Election or a Stock Election. The election must be made on the form designed for that purpose (the "Cash/Stock Election Form"). A Cash/Stock Election Form is being mailed with this Proxy Statement/Prospectus to all holders of ELEKOM Stock on the Record Date. Additional Cash/Stock Election Forms will be made available for all persons who become holders of ELEKOM Stock after the Record Date but before the date of the ELEKOM Meeting.

ELEKOM Shareholders must submit their Cash/Stock Election Forms no later than one business day before the earlier of the ELEKOM Meeting, or the Closing (the "Election Deadline"). An election will be effective

only if ELEKOM has received a properly completed and duly executed Cash/Stock Election Form by the Election Deadline. A Cash/Stock Election Form once submitted to ELEKOM, may be revoked or changed by the person who submitted the Cash/Stock Election Form, or by any person to whom the subject shares are subsequently transferred, by written notice to ELEKOM prior to the Election Deadline.

Each ELEKOM Shareholder should:

. Complete and sign the Cash/Stock Election Form

. Complete and sign the Form of Proxy and Consent

. Send both the Cash/Stock Election Form and Form of Proxy and Consent to ELEKOM in the enclosed prepaid, pre-addressed envelope as soon as possible.

PLEASE DO NOT SEND IN YOUR ELEKOM STOCK CERTIFICATE(S) AT THIS TIME. PLEASE, HOWEVER, CAREFULLY REVIEW THE TRANSMITTAL FORM PURSUANT TO WHICH YOU WILL BE REQUIRED TO REPRESENT AND WARRANT THAT YOU ARE THE SOLE OWNER OF THE SHARES OF ELEKOM STOCK FREE AND CLEAR OF LIENS AND ENCUMBRANCES AND PURSUANT TO WHICH YOU WILL AGREE TO INDEMNIFY THE HOLDERS OF ELEKOM PREFERRED STOCK FOR ANY LOSSES THEY MAY SUFFER AS A RESULT OF THEIR AGREEMENT TO INDEMNIFY THE COMPANY WITH RESPECT TO SUCH MATTERS. SEE "--EXCHANGE OF CERTIFICATES."

If a holder of ELEKOM stock does not submit a properly completed and signed Cash/Stock Election Form that is received by ELEKOM prior to the Election Deadline, or if any shareholder has withdrawn from or otherwise failed to perfect his or her Dissenters' Rights, such shareholder will be deemed to have made a Pro Rata Election for the purpose of the allocation of cash and Company Common Stock. The Company will have the discretion to determine whether Cash/Stock Election Forms have been properly completed and signed, and to disregard immaterial defects in Cash/Stock Election Forms. If a Cash/Stock Election Form is determined not to have been properly made, the person having made the election will be deemed to have made a Pro Rata Election.

BACKGROUND AND REASONS FOR THE MERGER

BACKGROUND OF THE MERGER

The Company and ELEKOM have had a working relationship since January 1998 when the Company and ELEKOM began discussions regarding the sale by ELEKOM of ELEKOM's internet procurement software and technology to the Company on an OEM private label basis. In April 1998 the Company and ELEKOM entered into an OEM License Agreement pursuant to which the parties agreed to combine their efforts to complete the development and integration of the ELEKOM Procurement product which the Company is licensed to market and distribute under the brand name Clarus E-Procurement. This business relationship and resulting mutual familiarity with each company's products, technology and management created the opportunity for the two companies to explore a combination of their businesses.

On June 30,1998, the Chairman of the Board and Chief Executive Officer of the Company met with the Chief Executive Officer of ELEKOM to explore the possibility of a merger of the two companies or an acquisition by the Company of substantially all of the assets of ELEKOM.

On July 10, 1998, the Chief Executive Officers and Chief Financial Officers of both the Company and ELEKOM met in Atlanta, Georgia to discuss the Company's existing OEM Agreement with ELEKOM and a possible acquisition of ELEKOM by the Company. At that time, the Company and ELEKOM entered into a confidentiality agreement, and ELEKOM provided the Company with certain confidential information describing ELEKOM and its products and operations in order for the Company to further evaluate a possible acquisition of ELEKOM.

From July 28, 1998 through July 31, 1998, the Chief Executive Officer and Chief Financial Officer of the Company and the Company's legal counsel met with the Chief Executive Officer and Chief Financial Officer of

ELEKOM and ELEKOM's legal counsel in Bellevue, Washington to discuss the possible structure and terms of an acquisition of ELEKOM by the Company. These

discussions were preliminary and inconclusive. Each party made a commitment to seek approval by its board of directors to the proposed terms of an asset purchase transaction before taking further action or conducting additional due diligence.

On July 30, 1998, the ELEKOM Board met to discuss the proposed structure of the transaction as an asset purchase. After a lengthy discussion of the proposal, the ELEKOM Board instructed management to negotiate, together with ELEKOM's legal counsel, the terms of a sale of ELEKOM's assets to the Company.

On August 4, 1998, at a meeting of the Board of Directors of the Company, the Company's management discussed with the Company's Board of Directors the terms of a possible asset acquisition of ELEKOM. After a lengthy discussion between the Company's management and the Company Board, the Company's Chief Executive Officer was authorized to negotiate the terms of an asset acquisition agreement subject to further review by Company's Board and the Company's financial advisor which would reflect the structure and provisions discussed with ELEKOM management on July 30, 1998.

On August 5, 1998, the Company engaged NMS to serve as its financial advisor in connection with the possible acquisition of ELEKOM and to render advice to the Company concerning the financial aspects of a potential acquisition. From August 5, 1998 to August 19, 1998, the Company's Chief Executive Officer, Chief Financial Officer and other key members of management met with NMS and conducted a review of the business and financial condition of the Company and ELEKOM and discussed the financial implications of an acquisition of ELEKOM, as well as the expected purchase price.

ELEKOM's Chief Executive Officer informed the Company's Chief Executive Officer on August 6, 1998 that ELEKOM required that the proposed transaction be structured in a tax-free manner. The parties thereafter agreed that the transaction would be structured to qualify as a tax-free reorganization under Section 368 of the Code. From August 6, 1998 through August 10, 1998, representatives of both the Company and ELEKOM held various teleconferences to analyze possible ways to restructure the transaction in a manner acceptable to the Boards of Directors of both companies. In addition, the Company continued in-depth due diligence review of ELEKOM. Additional off-site due diligence, and discussions with legal counsel and financial advisors, were also undertaken by both companies.

On August 10, 1998, senior management of both companies and their respective legal counsel concluded that the transaction could be restructured as a forward triangular merger on terms acceptable to both parties. Later that day, the Chief Executive Officer and Chief Financial Officer of ELEKOM presented to the ELEKOM Board the proposed new transaction structure, and the ELEKOM Board authorized ELEKOM management to continue negotiations with the Company.

From August 14, 1998 through August 18, 1998, management of both companies and their respective legal counsel met in Bellevue, Washington and negotiated proposed terms of an acquisition structured as a forward triangular merger.

On August 19, 1998, at a special meeting of the Board of Directors of the Company, the Company's management presented to the Company's Board an analysis of the proposed Merger with ELEKOM. The Chief Executive Officer of ELEKOM also presented to the Company's Board various information regarding ELEKOM and its products. Following the presentations and subsequent discussions, the Company's Board scheduled another meeting on August 24, 1998 to determine whether to approve the Merger.

On August 24, 1998, the Company's Board of Directors held a special meeting and discussed the results of its due diligence investigation of ELEKOM. NMS presented the board with its financial analysis of the proposed merger and submitted its fairness opinion to the Board of Directors. Following a lengthy discussion regarding the Company's due diligence investigation of ELEKOM, the terms of the proposed Merger and the analysis prepared by NMS, the Company's Board determined that the Merger was desirable and authorized the Chief Executive Officer to execute the Agreement.

At a special meeting of the ELEKOM Board on August 24, 1998, ELEKOM's management reviewed the results of its due diligence investigation of the Company and reviewed the terms of the proposed Agreement. Following the presentations and subsequent discussions, the ELEKOM Board concluded that

additional substantive changes to the Agreement would be required before it could be executed on behalf of ELEKOM.

Following the ELEKOM Board Meeting, the parties continued negotiations regarding certain terms of the Agreement.

On August 27, 1998, ELEKOM's Board held a special meeting and authorized its Chief Executive Officer to execute the Agreement. On August 28, 1998, the Company's Board held a special meeting and authorized its Chief Executive Officer to execute the Agreement.

On August 31, 1998, at 4:35 p.m. eastern time, the parties executed the Agreement and the Company issued a press release. On September 1, 1998, the Company filed a Current Report on Form 8-K reporting the execution of the Agreement.

ELEKOM'S REASONS FOR THE MERGER

ELEKOM's Board of Directors has unanimously approved the Agreement and has determined that the Merger is in the best interests of ELEKOM and its shareholders. The terms of the Merger were the result of arm's length negotiations between representatives of ELEKOM and representatives of the Company. Without assigning any relative or specific weights to the factors, the Board of Directors of ELEKOM considered the following material factors:

(i) the information presented to the directors by ELEKOM's management concerning the business, operations, earnings and financial condition of the Company, and the results of a due diligence review of the Company by ELEKOM's representatives;

(ii) the alternatives to the Merger, including possible venture capital financing;

(iii) the enhancement of shareholder value as a result of the value of the consideration to be received by ELEKOM Shareholders relative to ELEKOM's book value and lack of earnings;

(iv) the anticipated synergies and operating efficiencies, and the increased technical resources and enhanced service capabilities that would result from the Merger;

(v) the competitive environment for Internet procurement software companies generally; and

(vi) the current lack of marketability of the ELEKOM capital stock, contrasted with the ability of ELEKOM's shareholders to trade the Company's Common Stock to be received by them as a result of the Merger;

Each member of the Board of Directors of ELEKOM has agreed to vote such member's shares of ELEKOM capital stock in favor of the Merger.

ELEKOM'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ELEKOM SHAREHOLDERS VOTE FOR APPROVAL OF THE AGREEMENT AND THE MERGER.

THE COMPANY'S REASONS FOR THE MERGER

The Company's Board of Directors has approved the Agreement and has determined that the Merger is desirable. In approving the Agreement and the Merger, the Company's Board considered a number of factors. Without assigning any relative or specific weights to the factors, the Company's Board of Directors considered the following material factors:

(i) ELEKOM's market presence and recognition in the business-to-business electronic procurement market and the Company's desire to gain entry into and exploit this market;

(ii) ELEKOM's business, operations, earnings, and financial condition, on a prospective basis and the expected high growth potential of the electronic commerce procurement market, which is expected to experience a higher rate of revenue growth than for Company's other financial applications;

(iii) the increased revenues and resources of the Company as a result of the

Merger which are expected to allow the Company to meet increasing competitive challenges from larger competitors;

(iv) a variety of factors affecting and relating to the overall strategic focus of the Company including the ability to enter the emerging electronic procurement market at an early stage; and

(v) the management philosophy of ELEKOM and its compatibility with that of the Company.

In addition, in the course of its deliberations, the Company's Board of Directors considered and discussed a number of other factors including the following: (i) a financial presentation prepared by NationsBanc, including NMS's fairness opinion, (ii) reports from management and the Company's legal advisors on the results of the Company's due diligence investigation of ELEKOM, (iii) the terms of the Agreement, including ELEKOM's agreement not to solicit other acquisition transactions and the escrow and indemnification provisions; and (iv) the proposed employment agreements with key members of management of ELEKOM in connection with the Merger.

FAIRNESS OPINION

Pursuant to an engagement letter signed as of August 6, 1998, the Company engaged NMS to render to the Company's Board of Directors ("Company Board") NMS's opinion with respect to the fairness to the Company, from a financial point of view, of the consideration to be paid by the Company in connection with its acquisition of ELEKOM. NMS is a nationally recognized firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Company selected NMS to render a fairness opinion on the basis of NMS's experience and expertise in transactions similar to the Merger, its experience in working with the Company as an underwriter in the Company's initial public offering, and its reputation as an investment banker in transactions involving technology companies.

At the August 24, 1998, meeting of the Company Board, NMS delivered its opinion that the consideration to be paid by the Company to ELEKOM in the Merger is fair to the Company from a financial point of view, as of the date of such opinion. The amount of such consideration was determined pursuant to arms length negotiations between ELEKOM and the Company and NMS was not retained by the Company to provide advisory services. No limitations were imposed by the Company on NMS with respect to the investigations made or procedures followed in rendering its opinion. The full text of NMS's written opinion to the Company Board, which sets forth the assumptions made, matters considered and limitations of review by NMS, is attached hereto as Appendix B, and is incorporated herein by reference and should be read carefully in its entirety. The following summary of NMS's opinion is qualified in its entirety by reference to the full text of the opinion, attached as Appendix B.

NMS has informed the Company that in arriving at its opinion it: (i) reviewed certain publicly available financial and other data with respect to ELEKOM and the Company, including the consolidated financial statements for recent years and interim periods to June 30, 1998, and certain other relevant financial and operating data relating to ELEKOM and the Company made available to NMS from published sources and from the internal records of ELEKOM and the Company; (ii) reviewed the financial terms and conditions of the draft Agreement; (iii) considered the financial terms, to the extent publicly available, of selected recent business combinations of companies in the Internet-based applications and services industry and communications industry which NMS deemed to be comparable, in whole or in part, to the Merger; (iv) considered the return on investment to private equity investors, to the extent publicly available, in the targets of selected recent business combinations of companies in the Internet applications and communications industry which NMS deemed to be comparable, in whole or in part, to the Merger; (v) compared ELEKOM and the Company from a financial point

of view with certain other companies in the Internet applications industry which NMS deemed to be relevant; (vi) reviewed and discussed with representatives of the management of ELEKOM and the Company certain information of a business and financial nature regarding ELEKOM and the

Company, furnished to NMS by them, including financial forecasts and related assumptions of ELEKOM and the Company; and (vii) performed other such analyses and examinations as NMS deemed appropriate.

In connection with its review, NMS did not independently verify the foregoing information and relied on its being accurate and complete in all material respects. With respect to the financial forecasts for ELEKOM and the Company provided to NMS by their respective managements, NMS assumed for purposes of its opinion that the forecasts were reasonably prepared on bases reflecting the best available estimates and judgments of their respective managements at the time of preparation as to the future financial performance of ELEKOM and the Company and that they provided a reasonable basis upon which NMS could form its opinion. NMS also assumed that there had been no material changes in the assets, financial condition, results of operations, business or prospects since the respective dates of their last financial statements made available to it by the Company and ELEKOM. In addition, NMS did not assume responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of ELEKOM and the Company, nor was it furnished with any such appraisals. The Company informed NMS, and NMS assumed, that the Merger will be recorded as a purchase under generally accepted accounting principles and that it will be a tax-free reorganization. NMS also assumed the Merger will be consummated in accordance with the terms described in the Agreement, without any further amendments thereto, and without waiver by either the Company or ELEKOM of any of the conditions to its obligations thereunder.

The following is a summary of certain analyses performed by NMS to arrive at it opinion. NMS performed certain procedures, including each of the analyses described below, and reviewed with the Company management and the Company Board the assumptions on which such analyses were based and other factors.

Comparable Merger and Acquisition Transaction Analysis. NMS reviewed the consideration paid in several acquisition transactions involving Internet-based applications and services companies. NMS analyzed the consideration paid in such transactions as a multiple of the target company's revenues for the last twelve months reported prior to announcement of the transaction ("LTM revenues"). The transactions reviewed by NMS for purposes of this analysis included the acquisitions of: (i) Viaweb, Inc. by Yahoo Inc.; (ii) Accipiter Inc. by CMG Information Services, Inc.; (iii) Tripod, Inc. by Lycos Inc.; (iv) MatchLogic, Inc. by Excite, Inc.; (v) Golfweb by SportsLine USA, Inc.; (vi) GlobalCenter by Frontier Corp.; (vii) Raptor Systems, Inc. by AXENT Technologies, Inc.; (viii) Kiva Software Corp. by Netscape Communications Corp.; and (ix) WebTV Networks Inc. by Microsoft Corporation. Such analysis yielded a range of transaction multiples between 7x to 93x (with a median of 30x) LTM revenues. NMS then applied a 25x to 35x multiple range to ELEKOM's estimated LTM revenues as of September 30, 1998 (due to the certainty of ELEKOM's billed and contracted revenue as of August 14, 1998) resulting in a range of implied equity values for ELEKOM of between $19 million and $26 million.

Summary of Return on Investment Analysis. NMS analyzed the return on investment received by initial private equity investors (as determined by the difference between the post-investment valuation of the initial and most recent round of financing) of Ariba Technologies, Inc. ("Ariba"), ELEKOM's closest competitor, between Ariba's initial and most recent round of capital investment. In addition, NMS reviewed the return on investment achieved by initial private investors (determined by the difference between the valuation of the target at the initial round of financing and the consideration received to target shareholders upon the sale of the target) of targets of several Internet applications and communications acquisitions including: (i) Tripod Inc.'s acquisition by Lycos Inc.; (ii) Aptis Communications, Inc.'s acquisition by Northern Telecom Ltd.; (iii) Prominet Corporation's acquisition by Lucent Technologies Inc.; and (iv) Ardent Communications Corp.'s acquisition by Cisco Systems, Inc. As to Ariba, such analysis yielded a 606% return on the initial investment in Ariba which NMS then applied to the initial post-investment valuation of ELEKOM to imply a valuation for ELEKOM of $27 million. A review of Internet applications and communications acquisitions yielded a 178% to 762% return on initial investment in the target which, when applied to the initial post-investment valuation of ELEKOM, implies a valuation range of ELEKOM of $11 to $33 million.

Comparable Public Company Analysis. Using public and other available

information, NMS determined a range of implied equity values for ELEKOM based on the multiples of estimated calendar year 1999 revenues and estimated calendar year 1999 earnings at which the following Internet applications companies traded on August 17, 1998: Broadvision, Inc.; Macromedia, Inc.; MicroStrategy, Inc.; NetGravity, Inc.; Netscape Communications Corp.; Open Market, Inc.; and RealNetworks, Inc. (the "Comparable Companies"). The August 17, 1998, stock prices of the Comparable Companies reflected a range of valuations of between 4x and 10x (with a median of 8x) estimated calendar year 1999 revenues and between 28x and 87x (with a median of 59x) estimated calendar year 1999 earnings. NMS then applied 6x to 10x and 55x to 60x multiple ranges to ELEKOM's estimated calendar year 1999 revenues and earnings, respectively. This analysis indicated a range of implied equity values for ELEKOM of between $45 million and $81 million based on estimated calendar year 1999 revenues and a range of implied equity values of between $34 million and $37 million based on estimated calendar year 1999 earnings, both sets of implied equity values adjusted for debt, cash and cash equivalents.

Discounted Cash Flow Analysis. NMS performed a discounted cash flow analysis for ELEKOM. The analysis aggregated (i) the present value of the projected free cash flow (defined as after-tax operating cash, minus increases in working capital requirements) from 1998 through 2002; and (ii) the present value of a range of terminal values for the year 2002. The terminal values for ELEKOM were determined by applying multiples of 3x (as a low estimate) and 4x (as a high estimate) to ELEKOM's estimated revenue for 2002. ELEKOM's cash flow streams and terminal values were discounted to present value using discount rates ranging from 25% to 35%, chosen to reflect different assumptions reflecting the revenue multiples of competitors with a range of market capitalizations, ELEKOM's limited history of realizing its projections and competition in the electronic procurement applications industry. Such analysis indicated a range of implied equity values for ELEKOM of between $35 million and $67 million.

Pro Forma Earnings Analysis. NMS analyzed the potential effect of the Merger on the projected combined income statement of ELEKOM and the Company for the 1999 calendar year. This analysis was based on (i) published third-party estimates of future financial results for the Company; (ii) estimates of ELEKOM future financial results based on ELEKOM management's projections; (iii) the Company's prevailing market price of $6.38 per share as of August 18, 1998 and (iv) the assumption that the Company would be able to write off approximately $14.0 million of the approximately $16.0 million of consideration (based on a trading price of the Company's Common Stock of approximately $5.88 per share) as purchased "in-process research and development." This analysis concluded that the Merger would decrease the Company's projected calendar year 1999 earnings by approximately 4% or $0.02 per share.

While the foregoing summary describes the analyses and examinations that NMS deemed material to its opinion, it is not a comprehensive description of all analyses and examinations actually performed. The preparation of a fairness opinion necessarily is not susceptible to partial analysis or summary description. NMS believes that such analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all such analyses and factors, would create an incomplete view of the analyses set forth in its presentation to the Company Board. In addition, NMS may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis should not be taken to be NMS's view of the actual value of ELEKOM, the Company or the combined company.

In performing its analyses, NMS made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of ELEKOM or the Company. The analyses performed by NMS are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of NMS's analysis of the fairness to the Company, from a financial point of view, of the consideration to be paid by the Company to ELEKOM pursuant to the Merger and were provided to the Company Board in connection with the delivery of NMS's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade

at the present time or at any time in the future. NMS used in its analyses various projections of results of operations prepared by the managements of ELEKOM and the Company and by its research analysts. The projections are based on numerous variables and assumptions that are inherently unpredictable and must be considered not certain of occurrence as projected. Accordingly, actual results could vary significantly from those set forth in such projections.

As described above, NMS's opinion and presentation to the Company Board were among the many factors taken into consideration by the Company Board in making its determination to approve the Merger.

In connection with the Merger, the Company has agreed to pay NMS a fee of $200,000 which became due upon NMS's delivery of its fairness opinion. The Company has also agreed to reimburse NMS for its reasonable out-of-pocket expenses. Pursuant to a separate Indemnification and Contribution Agreement, the Company has agreed to indemnify NMS, its affiliates, and their respective directors, officers, agents, shareholders, consultants, employees and controlling persons against certain liabilities, including liabilities under the federal securities laws.

In the ordinary course of its business, NMS actively trades securities of the Company for its own account and for the accounts of customers and, accordingly, may at time hold a long or short position in such securities. Certain employees of NMS may also own shares of common stock of the Company.

The full text of NMS's opinion, dated August 24, 1998, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by NMS in rendering its opinion, is attached as Appendix B to this Proxy Statement/Prospectus and is incorporated herein by reference. NMS's opinion is addressed to the Board of Directors of the Company and is directed only to the fairness to the Company, from a financial point of view, as of August 24, 1998, of the consideration to be paid by the Company in the Merger and does not constitute a recommendation to either the Company or any ELEKOM Shareholder with respect to the Merger.

THE MERGER

The following material describes certain aspects of the Merger and the Agreement. This description does not purport to be complete and is qualified in its entirety by reference to the Appendices hereto, including the Agreement, which is attached as Appendix A to this Proxy Statement/Prospectus and incorporated herein by reference. ELEKOM Shareholders are urged to read the Appendices in their entirety.

BASIC TERMS OF THE MERGER

Subject to the terms and conditions of the Agreement, ELEKOM will merge into Clarus CSA at the Effective Time, at which time the separate corporate existence of ELEKOM will cease. Clarus CSA will succeed to the ownership of ELEKOM's assets and liabilities and will remain a wholly-owned subsidiary of the Company.

Subject to the terms and conditions set forth in the Agreement, at the Effective Time, each outstanding share of ELEKOM Stock will be converted into the right to receive an amount in cash (without interest) and a certain number of shares of Company Common Stock. The Agreement provides that the total consideration to be paid by the Company to the ELEKOM Shareholders (the "Merger Consideration") will consist of $8.0 million in cash and 1,350,000 shares of Company Common Stock (subject to possible adjustment as described below). The portion of the total Merger Consideration to be received by each ELEKOM Shareholder in the Merger will be established pursuant to a formula that is based on certain requirements and liquidation preferences established by ELEKOM's Articles of Incorporation. The formula is designed to allocate the Company Common Stock and the $8.0 million cash payment among the ELEKOM Shareholders as follows: first, to the holders of Series B Stock in an amount that satisfies the liquidation preference applicable to the Series B Stock of $.6814 per share; second to the holders of Series A Stock, Series B Stock and ELEKOM Common Stock, such that the holders of Series A Stock are entitled to 17.28% of the remaining consideration, and the holders of Series B Stock and the holders of ELEKOM Common Stock share, on a pro rata basis, 82.72% of the

remaining consideration, all until the holders of Series A Stock have received consideration equal to $7.2092 per share. In the event any Merger Consideration remains to be distributed after the steps described above (which is not expected to occur), such consideration will be allocated among the holders of the Series A Stock, Series B Stock and the ELEKOM Common Stock on a pro rata basis. For purposes of this allocation, the value of each share of Company Common Stock to be received in the Merger will be deemed to be the last reported price of such shares on the Nasdaq/NMS on the last trading day immediately preceding the Closing Date (the "Closing Price"). The closing price of the Company Common Stock on September , 1998 was $ per share. If the Closing Price were $, the holders of Series A Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, the holders of Series B Stock would be entitled to receive Merger Consideration of $ in cash and shares of Company Common Stock per share, and the holders of ELEKOM Common Stock (at or prior to the Effective Time) would be entitled to receive Merger Consideration of $ per share (assuming exercise of all outstanding vested options to purchase ELEKOM Common Stock and repurchase by ELEKOM, prior to the Effective Time, of all outstanding shares of ELEKOM Common Stock that are subject to repurchase). As discussed below, each of the ELEKOM Shareholders will be given the opportunity to elect to receive his, her or its portion of the Merger Consideration in cash or stock, subject to adjustment as described below.

Each ELEKOM Shareholder may elect either to receive his or her share of the Merger Consideration in cash and Company Common Stock in the pro rata amounts that would be applicable in the absence of a cash or stock election (a "Pro Rata Election"), or to receive his or her share of the Merger Consideration in either as much cash as possible (a "Cash Election") or as much Company Common Stock as possible (a "Stock Election") (with any balance, if any, of such ELEKOM Shareholder's Merger Consideration in Company Common Stock or cash, as the case may be). If an ELEKOM Shareholder makes a Cash Election or a Stock Election, the actual amounts of cash and Company Common Stock he or she receives will depend on the valid elections made by other ELEKOM Shareholders and the ability of the Company to give effect to such elections given the fixed composition of the Merger Consideration. However, an ELEKOM Shareholder making a Cash

Election will receive no less than the applicable Pro Rata Election amount of cash for his or her ELEKOM Stock, and an ELEKOM Shareholder making a Stock Election will receive no less than the applicable Pro Rata Election amount of Company Common Stock for his or her ELEKOM Stock. ELEKOM Shareholders who do not make any election will be deemed to have made a Pro Rata Election and thus will receive in exchange for their shares of ELEKOM Stock the amounts of cash and Company Common Stock that they would have received in the absence of a cash or stock election option.

The amounts of cash and Company Common Stock to be received by ELEKOM Shareholders who make a Cash Election or a Stock Election will be determined by attributing a value to the Company Common Stock equal to the Closing Price. The implied market value (based on the Closing Price) of the Merger Consideration attributable to each share of ELEKOM Common Stock, Series A Stock and Series B Stock will be calculated using the applicable pro rata amounts of cash and Company Common Stock attributable to each such class and series of ELEKOM Stock. The amounts of cash and Company Common Stock to be received by ELEKOM Shareholders who make a Cash Election or a Stock Election will be equal to this implied market value, with shares of Company Common Stock being valued at the Closing Price.

The market price of Company Common Stock is subject to fluctuation, and the market value of the shares of Company Common Stock that ELEKOM Shareholders receive in the Merger may decrease or increase prior to the date such stock is actually issued. ELEKOM SHAREHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR COMPANY COMMON STOCK.

No fractional shares of Company Common Stock will be issued in the Merger; instead, an ELEKOM Shareholder who would otherwise have been entitled to a fractional share will be paid cash equal to such fraction multiplied by the Closing Price.

Holders of ELEKOM Stock should carefully consider the federal income tax consequences of their elections. Cash received in the Merger will be

immediately taxable, while taxation may in certain circumstances be deferred on shares of Company Common Stock received in the Merger. Tax rates may differ depending on how long the ELEKOM Shareholder has held ELEKOM Stock. For a discussion of the federal income tax consequences to ELEKOM Shareholders, see "--Federal Income Tax Consequences of the Merger." ELEKOM SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR ADVISORS TO DETERMINE THE PERSONAL TAX CONSEQUENCES OF THE MERGER.

Holders of ELEKOM Stock who do not make a valid election as to the components of their share of the Merger Consideration will be presumed to have made a Pro Rata Election. Shareholders who dissent from the Merger and preserve their dissenters' rights will receive the cash appraisal value of their dissenting shares from the Company. Shareholders who initially dissent but who fail to preserve their dissenters' rights will be deemed to have made a Pro Rata Election.

The Agreement provides that if the Closing Price is less than $5.93, then the aggregate number of shares of Company Common Stock to be issued to ELEKOM Shareholders in connection in the Merger will be increased by the number of shares necessary to ensure that the aggregate value of such shares, based on Closing Price, equals at least $8.0 million, provided that the number of additional shares of Company Common Stock will not exceed 41,305 shares. For example, if the Closing Price were equal to $5.85, then a total of 1,367,521 shares of Company Common Stock would be issued to ELEKOM Shareholders in the Merger, and the amount of Company Common Stock attributable to each share of ELEKOM Common Stock, Series A Stock and Series B Stock would increase. ELEKOM may terminate the Agreement if the Closing Price is $5.75 or less, and either the Company or ELEKOM may terminate the Agreement if the Closing Price is $5.00 or less. See "--Termination; Amendment."

INDEMNIFICATION; ESCROW

Pursuant to the Agreement, the holders of ELEKOM Preferred Stock have agreed, subject to the limitations set forth below, to indemnify and hold harmless the Company and its officers, directors and affiliates against any

loss arising out of or in connection with (i) any breach of any of the representations or warranties of ELEKOM contained in or made pursuant to the Agreement or any of the respective representations and warranties of any ELEKOM Shareholder in certain related agreements; (ii) any failure by ELEKOM or any ELEKOM Shareholder to perform or observe any agreement or condition to be performed or observed by it pursuant to the Agreement or certain related agreements; (iii) any breach by ELEKOM of certain representations relating to its intellectual property (an " IP Claim"); (iv) any claim by an ELEKOM Shareholder relating to the allocation by ELEKOM of the cash and stock consideration to be received by each ELEKOM Shareholder in connection with the Merger; or (v) certain amounts that may be paid by the Company to ELEKOM Shareholders in respect of shares with respect to which dissenters' rights are perfected.

At the Closing, pursuant to the Escrow and Indemnity Agreement, the Company will place $2.5 million of the cash Merger Consideration in escrow to secure these indemnification obligations. Any claims against the escrowed funds must be asserted by the Company not later than April 30, 2000, which date is the end of the escrow period. The Company's claims for indemnification pursuant to the Agreement are limited to the escrowed funds except for IP Claims and certain other claims. At the end of the escrow period, the Company will release the escrowed merger consideration (net of any funds retained to satisfy claims for losses or held in reserve pending resolution of claims) to the ELEKOM Shareholders. Upon final resolution of open claims that were pending at the end of the escrow period, the Company will distribute funds not transferred to the Company to satisfy such claims to the ELEKOM Shareholders.

Subject to completion of the Merger, the Company has agreed to indemnify ELEKOM and its officers, directors, shareholders and affiliates against any loss arising out of or in connection with (i) any breach of any of the representations and warranties of the Company in the Agreement or certain related agreements or (ii) any failure by the Company to perform or observe any agreement or condition to be performed or observed by it pursuant to the Agreement or certain related agreements.

STOCK OPTIONS

The Agreement provides that there will be no options to acquire ELEKOM stock outstanding at Closing. The Company will not assume any warrants, stock options or other similar rights to acquire stock or any other equity interest in, or liabilities of, ELEKOM in the Merger. See "--Effect on Employees, Employee Benefit Plans and Stock Options."

Pursuant to the terms of ELEKOM's 1996 Stock Option Plan, immediately prior to the Merger 50% of all unvested shares subject to option awards shall immediately become exercisable, and all remaining unvested options shall be canceled. Holders of options to purchase ELEKOM Common Stock will be given an opportunity to exercise their options with respect to all shares that will be vested at the Effective Time, subject to consummation of the Merger, in advance of the Closing. ELEKOM currently has issued and outstanding shares of ELEKOM Common Stock that were issued upon exercise of unvested option awards and that are subject to repurchase. It is anticipated that, after the acceleration of vesting in accordance with the plan, approximately of such shares will be subject to repurchase (assuming that the Closing occurs on or about October , 1998). The Company currently intends to repurchase all such unvested shares.

WARRANTS

In connection with a recent bank financing, ELEKOM has agreed to issue to Silicon Valley Bank ("SVB") a warrant (the "Warrant") to purchase up to 14,676 shares of Series B Stock in the event that ELEKOM draws on its line of credit with SVB. Currently, ELEKOM has no outstanding borrowings under the line of credit so the Warrant has not been issued. If ELEKOM issues the Warrant and SVB does not exercise the Warrant prior to the Closing Date, then, at the election of SVB, ELEKOM may be required to purchase the unexercised portion of the Warrant for cash equal to (i) the fair market value of any consideration that would have been received by SVB in consideration of the shares SVB would have received if it had exercised the Warrant immediately before the record date for determining the shareholders entitled to participate in the proceeds of the Merger, minus (ii) the aggregate exercise price of the shares subject to the Warrant.

EFFECTIVE TIME OF THE MERGER

Closing of the Merger is subject to a number of conditions, including, but not limited to, approval of the Agreement and the Merger by the affirmative vote of two-thirds of each class and series of the outstanding ELEKOM Stock. Pursuant to an agreement with the Company, ELEKOM Shareholders who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of Series B Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement.

Following approval of the Agreement by ELEKOM Shareholders and satisfaction or waiver (where permissible) of the other conditions to the Merger, a Certificate of Merger will be filed with the Secretary of State of the State of Delaware and Articles of Merger will be filed with the Secretary of State of the State of Washington. The Effective Time will be the date and time that the Certificate of Merger is filed with the Secretary of State of Delaware and the Merger thereby becomes effective. Unless otherwise agreed upon by the Company and ELEKOM, and subject to the conditions to the obligations of the parties to effect the Merger, the parties will use their reasonable efforts to cause the Merger to occur on the date on which the Agreement and Merger is approved by the requisite vote of the ELEKOM Shareholders. The parties expect that all conditions to consummation of the Merger will be satisfied so that the Merger can be consummated by November 15, 1998, although there can be no assurance as to whether or when the Merger will occur. See "--Conditions to the Merger" and "--Termination; Amendment."

EXCHANGE OF CERTIFICATES

After the Effective Time, each ELEKOM Shareholder must surrender the certificate or certificates representing his or her shares to the Company, and will thereupon promptly receive in exchange his or her share of the Merger Consideration. The Company will not be obligated to deliver the consideration to which any ELEKOM Shareholder is entitled until such holder (i) surrenders his or her certificate or certificates, (ii) warrants that he or she is the sole owner of the shares and holds such shares free of any liens, claims or

encumbrances and (iii) indemnifies ELEKOM and each holder of ELEKOM Preferred Stock for breach of this warranty of title. Surrendered certificates representing shares of ELEKOM Stock must be duly endorsed as required by the Company's transfer agent.

At the Effective Time, the stock transfer books of ELEKOM will be closed, and no transfer of ELEKOM Stock by any ELEKOM Shareholder may thereafter be made or recognized. Until surrendered for exchange as described above, each certificate representing shares of ELEKOM Stock (other than shares as to which dissenters' rights have been perfected) will, after the Effective Time, represent for all purposes only the right to receive the share of the Merger Consideration attributable to such shares.

REPRESENTATIONS AND WARRANTIES

The Merger contains various representations and warranties by ELEKOM and the Company. ELEKOM represents and warrants as to matters relating to (i) its capitalization, the existence of rights to acquire capital stock, its ownership of subsidiaries and the right of ELEKOM Shareholders to exchange their shares for shares of the Company Common Stock in the Merger; (ii) its corporate organization and good standing, its power to conduct its business and its governing instruments; (iii) its authority to execute and deliver the Agreement and to carry out the transactions contemplated therein, and the enforceability of the Agreement and related agreements; (iv) the effect of the performance of the Agreement and related agreements on its governing instruments, applicable laws and agreements to which it is a party; (v) the need for consents and approvals to be obtained by it in connection with the Merger; (vi) the accuracy of its financial statements and their consistency with its books and records and the absence of material undisclosed liabilities; (vii) the accuracy and completeness of its books and records; (viii) its title to, and the existence of liens, encumbrances and other claims upon, its assets, and the sufficiency of its assets for the conduct of its business; (ix) its real property lease and tangible personal property; (x) the compliance of its software products with respect to Year 2000 issues; (xi) its existing material contracts and their enforceability; (xii) its accounts receivable and trade accounts and their collectability; (xiii) its

ownership of intellectual property, the measures it has taken to protect its intellectual property and the absence of any computer viruses in its software; (xiv) its major suppliers and customers; (xv) any pending or threatened litigation involving ELEKOM; (xvi) its compliance with applicable legal requirements; (xvii) its ownership of required governmental permits and licenses and the effect thereon of the Merger; (xviii) its preparation and filing of tax returns and payment of taxes, and related matters; (xix) its compliance with environmental protection requirements; (xx) its ownership, and the adequacy, of its insurance policies; (xxi) various labor and employment matters; (xxii) its employees, rates of compensation and employee benefit plans and liabilities related thereto; (xxiii) the absence of certain changes in its operations and business since June 30, 1998; (xxiv) the conformity of its products with applicable warranties; (xxv) transactions with related parties; (xxvi) the non-involvement of brokers or other intermediaries in connection with the Agreement; (xxvii) the names under which it has conducted business; and (xxviii) the accuracy and completeness of its representations and warranties.

The Agreement also includes representations and warranties by the Company and Clarus CSA as to matters relating to (i) the Company Common Stock to be issued in the Merger; (ii) their corporate organization and good standing and their power to conduct their business; (iii) their authority to execute and deliver the Agreement and to carry out the transactions contemplated therein, and the enforceability of the Agreement and related agreements; (iv) the effect of the performance of the Agreement and related agreements on its governing instruments, applicable laws and agreements to which the Company is a party; (v) the need for consents and approvals to be obtained by them in connection with the Merger; (vi) their ownership of intellectual property; (vii) any pending or threatened litigation involving the Company; (viii) their compliance with applicable legal requirements; (ix) the absence of certain changes in their operations and business since June 30, 1998; (x) the non-involvement of brokers or other intermediaries in connection with the Agreement, other than NMS; (xi) their filing of reports with the Commission and the completeness and accuracy of such reports; (xii) the names under which they have conducted business; (xiii) the accuracy and completeness of their

representations and warranties; and (xiv) their receipt of NMS's opinion.

All representations and warranties contained in the Agreement or otherwise made in connection with the Merger will survive until April 30, 2000, except that ELEKOM's representation and warranty regarding intellectual property will survive for a one-year period following the Closing and ELEKOM's representations and warranties concerning its capitalization, taxes and employee benefit plans will survive until the earlier of ten years following the execution of the Agreement or the running of the applicable statutes of limitations. See "--Indemnification; Escrow."

BUSINESS OF ELEKOM PENDING THE MERGER

The Agreement provides that ELEKOM will, until the Closing and except as otherwise provided in the Agreement, (i) conduct its operations in the normal and customary manner in the ordinary course of business and pay its trade payables and other obligations currently in accordance with their terms; (ii) maintain and preserve the confidentiality of its intellectual property; (iii) keep in full force and effect all insurance policies; (iv) perform all of its obligations under certain contracts and property leases, and not amend or terminate any of their provisions; (v) use reasonable efforts to preserve its organization intact and maintain its relationships with its employees, suppliers and customers; (vi) promptly advise the Company of any adverse change in its condition or the condition of its business, or of any event or circumstance that affects the completion of the transactions contemplated by the Agreement or that, if in existence when the Agreement was executed, would have been required to have been disclosed in a schedule to the Agreement; (vii) maintain and collect its receivables and extend credit terms to its customers in the ordinary course of business consistent with past practices; (viii) furnish the Company with a list of its personal property; and (ix) effect a conversion of its 401(k) plan.

In addition, ELEKOM has agreed that, prior to the Closing and except as otherwise provided in the Agreement, it will not:

(i) Create or permit to exist any liens, encumbrances, claims, security interests, mortgages or pledges of any nature with respect to its assets, except for those already disclosed and agreed to by the Company;

(ii) Sell or dispose of any assets or license any assets other than in the ordinary course of business;

(iii) Enter into or amend any employment or severance agreement or grant any increase in compensation or benefits to any of its employees (including such discretionary increases as may be contemplated by existing employment agreements), except in accordance with past practice or previously approved by and reflected in the written minutes of the ELEKOM Board;

(iv) Make any capital improvement or expenditure individually in excess of $10,000 or in the aggregate in excess of $50,000 without the Company's written consent;

(v) Incur any additional debt obligation or other obligation for borrowed money except as disclosed and agreed to by the Company;

(vi) Except pursuant to the exercise of disclosed outstanding stock options and their existing terms, issue, sell, pledge, encumber, authorize the issuance of or enter into any contract to issue, sell, pledge, encumber, or authorize the issuance of or otherwise permit to become outstanding, any additional shares of capital stock, or any stock appreciation rights, or any option, warrant, conversion, or other right to acquire any such stock, or any security convertible into any such stock;

(vii) Amend its articles of incorporation, bylaws or other governing instruments;

(viii) Repurchase, redeem, or otherwise acquire or exchange, directly or indirectly, any shares, or any securities convertible into any shares, of ELEKOM capital stock, or declare or pay any dividend or make any other distribution, except for certain actions in connection with its stock option plan;

(ix) Purchase any securities of, or make any material investment in, either by purchase of stock or securities, any person;

(x) Adopt any new employee benefit plan or make any material change in or to any existing employee benefit plans other than any such change that is required by law or contemplated in the Agreement or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan;

(xi) Make any significant change in any tax or accounting methods or systems of internal accounting controls, except as may be appropriate to conform to changes in tax laws or regulatory accounting requirements or generally accepted accounting principles; or

(xii) Except as otherwise provided, commence any litigation or settle any litigation involving any liability of ELEKOM for money damages or which imposes material restrictions upon its operations.

STANDSTILL AGREEMENT

ELEKOM has agreed that if the Agreement is terminated for any reason before the Closing, then until 18 months after such termination, neither ELEKOM, nor its affiliates or certain affiliates of its representatives (other than companies in which a holder of ELEKOM Preferred Stock owns less than 50%) may, without the prior written consent of the Company's Board, (i) in any manner acquire, agree to acquire, or make any proposal to acquire, directly or indirectly, a material portion of the assets of the Company; (ii) propose to enter into, directly or indirectly, any merger or business combination involving the Company; (iii) make, or in any way participate, directly or indirectly, in any solicitation of proxies to vote or seek to advise or influence any person with respect to the voting of any voting securities of the Company; (iv) form, join or in any way participate in a group with respect to any voting securities of the Company; (v) otherwise act, alone or in concert with others, to seek to control or influence the Company's management, the Company Board or the Company's policies; or (vi) publicly disclose any intention, plan or arrangement inconsistent with the foregoing.

CERTAIN COVENANTS OF THE COMPANY

In the Agreement, the Company has agreed that it will prepay to ELEKOM royalties accruing pursuant to the existing OEM License Agreement between the Company and ELEKOM as working capital to fund ELEKOM's operations, to the extent needed, in an amount up to $250,000 for each two-week period beginning on October 1, 1998 through Closing (or the date on which the Agreement is earlier terminated).

The Company has also agreed that it will use its reasonable efforts to list on the Nasdaq/NMS, prior to the Effective Time, the shares of Company Common Stock to be issued to ELEKOM Shareholders pursuant to the

Merger. In addition, at the Closing, the Company will enter into a Registration Rights Agreement granting piggyback registration rights to Mr. Norman Behar and the holders of ELEKOM Preferred Stock substantially similar to those currently held by the stockholders of the Company who purchased the Company's preferred stock prior to its initial public offering. See "--Interests of Certain Persons in the Merger" and "Description of the Company's Capital Stock."

The Company has further agreed that Mr. Behar will have the right to receive notice of and to attend each meeting of the Company's Board, and that the Company will reimburse Mr. Behar's reasonable expenses incurred in attending such meetings. Subject to the exercise of its fiduciary duties, the Company has agreed to nominate and recommend election of Mr. Behar for election to its Board of Directors at its next annual stockholders meeting, to serve in the class of directors with terms expiring in 2000. The rights granted to Mr. Behar in this regard will expire on June 30, 2000. The Company will provide coverage for Mr. Behar under its director and officer insurance policy identical to that provided to the other directors and officers of the Company. See "--Interests of Certain Persons in the Merger."

The Company has also agreed that it will (i) act in manner consistent with the treatment of the Merger as a tax-free reorganization; (ii) use ELEKOM's

leased premises only as permitted by the lease, and guarantee the obligations of ELEKOM or Clarus CSA as tenant under the lease if required by the landlord; (iii) take certain actions with respect to employee benefits; and (iv) use commercially reasonable best efforts to negotiate and enter into, before Closing, employment agreements with certain ELEKOM employees. See "--Effect on Employees, Employee Benefit Plans and Stock Options."

THIRD PARTY PROPOSALS; BREAK-UP FEE

ELEKOM

The Agreement provides that during the term of the Agreement neither ELEKOM nor any of its affiliates or representatives may directly or indirectly solicit any proposal for a business combination involving ELEKOM. The ELEKOM Board could, however, after consulting with its financial advisors and determining after consulting with counsel that it must do so to discharge its fiduciary duties, and subject to other conditions, consider and approve an unsolicited acquisition proposal that provides at least $5.0 million in aggregate consideration to ELEKOM Shareholders in excess of the Merger Consideration and is on terms that a majority of the ELEKOM Board determined in good faith (based on the advice of an independent financial advisor) to be more favorable to the ELEKOM Shareholders than those in the Agreement and for which any required financing was committed or reasonably capable of being obtained (a "Superior Proposal").

ELEKOM must promptly notify the Company if it receives any communication relating to an acquisition proposal. If the ELEKOM Board determines a proposal to be a Superior Proposal, ELEKOM could, subject to entering into a confidentiality agreement similar to that between ELEKOM and the Company, provide the party making the proposal with access to confidential information regarding ELEKOM. ELEKOM must promptly notify the Company of any determination by the ELEKOM Board that a Superior Proposal has been made. ELEKOM may not release any third party from any confidentiality or standstill agreement in effect.

If the ELEKOM Board recommends a Superior Proposal to the ELEKOM Shareholders, the Company may terminate the Agreement immediately without liability. If the ELEKOM Shareholders approve a Superior Proposal, ELEKOM may terminate the Agreement, although it would have to pay to the Company a break-up fee of $5.0 million plus the Company's expenses incurred in connection with the Agreement. ELEKOM also must pay such a break-up fee if it enters into any acquisition agreement within nine months after any termination of the Agreement by ELEKOM other than on the basis of the market price of the Company Common Stock (see "--Termination; Amendment") or on the basis of the failure to fulfill certain conditions to the obligations of the parties to complete the Merger (see "--Conditions to the Merger").

The Company

Except with respect to the Agreement, neither the Company nor any of its affiliates or representatives may directly or indirectly solicit any proposal or negotiate or enter into any agreement regarding either (i) a business

combination with a third party that is engaged in the development, marketing, licensing or sale of electronic procurement software or (ii) an acquisition of the Company by a third party. The Company must promptly notify ELEKOM if it receives any inquiry or proposal relating to any such transaction and, unless ELEKOM's prior written consent is obtained, must immediately cease any activities, discussions or negotiations with respect to the foregoing.

CONDITIONS TO THE MERGER

Conditions to Each Party's Obligations to Effect the Merger

The obligations of each party to complete the Merger are subject to the satisfaction of the following conditions on or before the Closing, unless specifically waived in writing by such party before the Closing:

(i) The representations and warranties of the other party contained in the Agreement or as subsequently updated in writing must have been true and correct as of the date the Agreement was executed or updated and must be true and correct as of the Closing;

(ii) The other party must have duly performed and complied with all covenants, agreements and obligations required by the Agreement to be performed or complied with by it on or prior to the Closing;

(iii) No action or proceeding may be pending or, in the reasonable opinion of the Company, threatened by or before any court or other governmental body or agency seeking to restrain, prohibit or invalidate the transactions contemplated by the Agreement or that would affect the right of the Company in a material adverse manner to own, operate or control ELEKOM's business after the Effective Time;

(iv) The other party must have obtained all of the third party consents required to be obtained by it in connection with the Merger;

(v) The Registration Statement must have been declared effective by the SEC and no stop order suspending the effectiveness or proceeding for that purpose may have been issued and remain in effect, and shares of Company Common Stock to be issued in the Merger must shall have been approved for quotation on the Nasdaq/NMS; and

(vi) Each party must have received from legal counsel to the other party an opinion, dated the Effective Time, in the form previously agreed upon.

Additional Conditions to ELEKOM's Obligations to Effect the Merger

ELEKOM must have received an opinion from its counsel dated as of the Closing and substantially to the effect that, on the basis of the facts and representations set forth in that opinion that are consistent with the state of facts in existence at the Effective Time, (i) the Merger will be a reorganization under Section 368(a) of the Code and (ii) no gain or loss will be recognized by the ELEKOM Shareholders or by the Company or Clarus CSA upon the exchange of shares of ELEKOM Common Stock or ELEKOM Preferred Stock for Company Common Stock.

The Merger must also be approved by the affirmative vote of two-thirds of each class and series of the outstanding capital stock of ELEKOM. Pursuant to an agreement with the Company, ELEKOM Shareholders who hold 100% of the outstanding shares of Series A Stock, 67% of the outstanding shares of Series B Stock and 49% of the outstanding shares of ELEKOM Common Stock have agreed to vote for approval of the Agreement. Accordingly, approval of the Merger by the holders of Series A Stock and Series B Stock is assured.

Additional Conditions to the Company's Obligations to Effect the Merger

The obligations of the Company to complete the Merger are subject to the satisfaction of the additional conditions on or before the Effective Time, unless specifically waived in writing by the Company before the Effective Time:

(i) The Company must have received, at its expense, a legal opinion as to certain intellectual property matters;

(ii) The Company must have received from those affiliates of ELEKOM as it determines necessary a letter of undertaking acknowledging the restrictions imposed by the federal securities laws on the shares of Company Common Stock to be received by such persons and agreeing to be bound by such restrictions and, in the case of the letters from each of the holders of ELEKOM Preferred Stock and Mr. Behar, agreeing not to sell or otherwise dispose of any shares of Company Common Stock on or before the earlier of October 1, 1999, or the nine month anniversary of the Closing and not to engage in any short sales of Company Common Stock; and

(iii) The Company must have entered into employment agreements with certain designated ELEKOM employees, including Mr. Behar (see "--Effect on Employees, Employee Benefit Plans and Stock Options" and "--Interests of Certain Persons in the Merger").

TERMINATION; AMENDMENT

Termination

The Agreement may be terminated at any time before Closing:

(i) By the mutual written consent of ELEKOM and the Company;

(ii) By either party (if it is not then in breach of any term of the Agreement), if the other party fails to perform its agreements required to be performed by or on the Closing or breaches any of its representations or warranties, and the failure or breach is not cured within ten days after the terminating party has notified the other party of its intent to terminate the Agreement pursuant to this provision;

(iii) By either party, if there is any order of any court or governmental or regulatory agency binding on ELEKOM or the Company that prohibits or restrains ELEKOM or the Company from consummating the transactions contemplated by the Agreement;

(iv) By either party, if the Closing has not occurred by November 15, 1998, for any reason other than delay or nonperformance of the party seeking termination;

(v) By either party, if the average closing sales price of the Company Common Stock as reported by the Nasdaq/NMS for any 10 consecutive trading days is less than $5.00 per share;

(vi) By ELEKOM, if the Closing Price of the Company Common Stock is less than $5.75; or

(vii) By either party, if the Closing Price of the Company Common Stock is less than $5.00.

Termination of the Agreement as described above would terminate all obligations of the parties thereunder, except for certain obligations with respect to expenses, publicity and confidentiality, the Company's obligation to make the minority investment described below, and except that termination on the basis of a failure to perform or a breach of a representation or warranty would not relieve the defaulting or breaching party from any liability to the other party.

Minority Investment

Pursuant to the Agreement, the Company has placed $2.0 million in an escrow account. If the Merger is not completed by November 15, 1998, due to either the Company's nonfulfillment of certain conditions to ELEKOM's obligations to complete the Merger (other than the conditions concerning the absence of litigation preventing the Merger, the obtaining of required consents or the receipt of a tax opinion) or ELEKOM's termination of the Agreement based on the market price of the Company Common Stock being less than $5.00, then ELEKOM will be entitled to receive the $2.0 million from escrow as a non-interest bearing bridge loan. This loan will be converted into shares of ELEKOM Preferred Stock by the later of December 31, 1998, or 90 days after the nonfulfillment of the condition to ELEKOM's obligations. If ELEKOM has completed a Series C Preferred Stock financing involving one or more investors who were not ELEKOM Shareholders on the date of the Agreement and has raised a minimum of $4.0 million in capital as a result of such financing (including the Company's $2.0 million), the loan will be converted into shares of Series C Stock on the same terms offered to such investors; otherwise, it will be converted into shares of Series B Stock on the same price, terms, rights and

preferences as previously issued. The Company shall be entitled to designate one person to ELEKOM's Board of Directors as long as it continues to own the preferred shares.

Termination Fee

If the Merger is not completed by November 15, 1998, due to ELEKOM's nonfulfillment of certain conditions to the Company's obligations to complete the Merger (other than the conditions concerning the absence of litigation preventing the Merger, the effectiveness of the Registration Statement, or the employment of current ELEKOM employees other than Mr. Behar), then ELEKOM will reimburse the Company for two-thirds of the amount of all legal, accounting, investment banking, appraisal, Commission, NASDAQ/NMS and printing costs and expenses incurred by the Company in connection with the negotiation and

preparation of the Agreement and related documents and the other actions of the Company required to be taken thereunder, up to a maximum reimbursement of $500,000. Such reimbursement would be made in the form of a credit by ELEKOM against future license fees owed or to be owed by the Company under the OEM Agreement, including minimum payments due thereunder. Any such credit against future license fees would be applied to fees owing for the 1999 calendar year in the amount of 25% of the total credit per quarter.

Amendment

Any waiver, amendment, modification or supplement of or to any term or condition of the Agreement can be effective only if in writing and signed by both ELEKOM and the Company. The Agreement provides that ELEKOM and the Company have waived the right to amend orally the terms of this requirement.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a summary of the material federal income tax consequences of the Merger to the holders of ELEKOM capital stock and certain additional tax consequences of the Merger. The discussion does not address all aspects of U.S. federal income taxation that may be material to shareholders in connection with the Merger in light of their particular status or circumstances, including, without limitation, foreign persons, insurance companies, tax-exempt entities, retirement plans, dealers in securities, persons whose shares are subject to employment-related restrictions, persons subject to the alternative minimum tax and persons in whose hands the ELEKOM capital stock does not represent a capital asset. This discussion and the opinion of Perkins Coie LLP, tax counsel to ELEKOM ("Tax Counsel"), described below is based on the Code, the Treasury Regulations proposed or promulgated thereunder and administrative interpretations as in effect on the date hereof and judicial precedents relating thereto, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax considerations discussed herein. The discussion below addresses neither the effect of any applicable state, local or foreign tax laws, nor the effect of any federal tax laws other than those pertaining to the U.S. federal income tax. HOLDERS OF ELEKOM CAPITAL STOCK ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE MERGER IN LIGHT OF THEIR PARTICULAR TAX CIRCUMSTANCES AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL AND OTHER TAX LAWS.

Qualification as a Reorganization. ELEKOM has received an opinion from Tax Counsel that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. The opinion of Tax Counsel also describes the material federal income tax consequences resulting from the treatment of the Merger as a reorganization for an ELEKOM Shareholder as summarized below. See "--Material Federal Income Tax Consequences of the Merger for ELEKOM Shareholders." In rendering its opinion regarding the Merger, Tax Counsel has relied upon certain assumptions, including the assumptions described below, and has received and relied upon representations contained in certificates of ELEKOM, Clarus CSA, and the Company.

Tax Counsel's opinion neither binds the IRS nor precludes the IRS from adopting a contrary position. An opinion of counsel only represents such counsel's best legal judgment and has no binding effect or official status of any kind, and no assurance can be given that contrary positions will not be taken by the IRS or a court

considering the issues. The parties will not request a ruling from the IRS in connection with any of the federal income tax considerations of the Merger.

Continuity of Interest Requirement for a Reorganization and Related Assumptions. To qualify as a reorganization for federal income tax purposes, the Merger must satisfy certain requirements, including the "continuity of interest" requirement. To satisfy the "continuity of interest" requirement, the portion of the total Merger Consideration that must constitute stock in the Company must be sufficient to give the ELEKOM Shareholder a substantial ongoing equity interest in the business of ELEKOM being conducted by the Company after the Merger. The precise percentage of acquiring corporation stock that constitutes a "substantial" equity interest for these purposes is not known. However, the IRS has established a safe harbor under which the continuity requirement is deemed satisfied if the value of the acquiring corporation stock received in the reorganization equals or exceeds 50% of the

aggregate value of the acquired corporation's stock at the time of the reorganization.

In connection with the continuity of interest requirement, Tax Counsel has assumed that the portion of the total Merger Consideration (including for purposes of Tax Counsel's opinion and this entire "Material Federal Income Tax Consequences" discussion and, except as expressly noted, the "Risk of Taxable Transaction" discussion, amounts paid out of the advances made pursuant to Section 4.6 of the Merger Agreement and amounts used to repurchase stock from employees of ELEKOM pursuant to buyback rights contained in employment related agreements governing the stock issued to those employees (the "ELEKOM Buyback Provisions"), based on value at the Effective Time, received by the ELEKOM Shareholders constituting Company Common Stock will not be less than 50%. The Company has represented that there will be no consideration, arrangements or payments (other than amounts payable pursuant to the ELEKOM Buyback Provisions would be so considered) that would increase the non-Company Common Stock percentage of the total value of the Merger Consideration above the percentage determined solely by reference to the stock and cash consideration provided in Sections 1.1 and 1.7 of the Agreement. It is likely that amounts paid pursuant to the ELEKOM Buyback Provisions will be considered a cash portion of the total Merger Consideration. It is also possible that the remaining portion of the advances made pursuant to Section 4.6 of the Agreement will be so considered. If, for any reason, including, but not limited to, the price per share of the Company Common Stock at the Effective Time, treatment of the advances under Section 4.6 of the Agreement, or the inaccuracy of the representation by the Company regarding other consideration, arrangements or payments, the value of the stock portion of the total Merger Consideration were to fall below 50% but not below 40%, Tax Counsel believes that the Merger should still qualify as a reorganization but cannot give any assurances that the Internal Revenue Service will not challenge the Merger. If for any reason the stock portion of the total Merger Consideration were to fall below 40%, Tax Counsel believes that there would be a significant risk that the Merger would not qualify as a reorganization, and in that case it could not render a favorable opinion on the reorganization status of the Merger for federal income tax purposes.

In January 1998, the IRS published final regulations that generally eliminate any requirement under the continuity of interest test that shareholders of an acquired corporation retain any stock issued in a reorganization transaction such as the Merger. However, if the Company were involved in a plan to redeem or otherwise reacquire Company Common Stock issued to ELEKOM Shareholders in the Merger, such dispositions could affect the eligibility of the Merger as a reorganization for federal income tax purposes. The Company has represented to Tax Counsel that neither it nor any related party has any plan to redeem, acquire or make any extraordinary distribution with respect to the Company Common Stock issued in the Merger.

Material Federal Income Tax Consequences of the Merger for ELEKOM Shareholders. Assuming that the Merger qualifies as a reorganization, Tax Counsel is of the opinion that the following are the material federal income tax consequences for a ELEKOM Shareholder as a result of the Merger:

(i) No gain or loss will be recognized by an ELEKOM Shareholder as a result of the Merger with respect to ELEKOM capital stock converted solely into Company Common Stock.

(ii) The tax basis of Company Common Stock received by a shareholder in the Merger will equal the tax basis of that shareholder in the ELEKOM capital stock surrendered by that shareholder in the Merger,

decreased by any basis allocable to fractional share interests in Company Common Stock for which cash is received and any other cash received by that shareholder in exchange for ELEKOM capital stock and increased by any gain recognized by such shareholders in the Merger.

(iii) The holding period of the Company Common Stock received in the Merger will include the period during which the shareholder held the ELEKOM capital stock, assuming such ELEKOM capital stock is held as a capital asset at the Effective Time.

(iv) ELEKOM Shareholders who receive cash upon the exercise of dissenter rights or receive cash (including amounts payable pursuant to the ELEKOM

Buyback Provisions) as their entire Merger Consideration will recognize gain or loss for federal income tax purposes, measured by the difference between the amount of cash received and the basis of the ELEKOM capital stock surrendered in the Merger. Any gain or loss recognized will be capital gain or loss, provided that such share of ELEKOM capital stock is held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend. Furthermore, such gain or loss will be a long-term capital gain or loss if such share of ELEKOM capital stock has been held for more than 12 months. Any Company Common Stock received by a holder of ELEKOM Preferred Stock may be treated as taxable ordinary income to the extent received for accrued but unpaid dividends or as a liquidation preference.

(v) Any ELEKOM Shareholder who receives some cash (including amounts payable pursuant to the ELEKOM Buyback Provisions) and some Company Common stock in the Merger will recognize gain in an amount equal to the lesser of the cash received or the gain realized with respect to all of their ELEKOM stock. In contrast with the situation in which a shareholder receives only cash for their entire Merger Consideration, this means that a shareholder may have to pay tax with respect to all cash received by that shareholder without reduction by the basis in the ELEKOM capital stock surrendered for the cash if the gain realized with respect to all ELEKOM capital stock surrendered by that shareholder (for both cash and Company Common Stock) equals or exceeds the cash received. Such gain will be capital gain provided that such share of ELEKOM capital stock was held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend. No loss may be recognized by any such shareholder.

(vi) The receipt of cash in lieu of a fractional share will be treated as if the ELEKOM Shareholders had received the fractional share and then received cash in redemption of that share, resulting in the recognition of gain or loss. Such gain or loss will be treated as capital gain or loss provided that such share of ELEKOM capital stock was held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend.

(vii) No gain or loss will be recognized by ELEKOM as a result of the Merger.

With respect to gain realized as a result of the receipt of cash from escrowed funds, ELEKOM Shareholders should consult with their own tax advisers to determine if installment method reporting is available with respect to such gain.

Certain Additional Tax Consequences of the Merger. As a result of the Merger, the taxable year of ELEKOM will end for federal income tax purposes as of the close of business on the Effective Date and ELEKOM will be required to file a final federal income tax return for its taxable year ending on such date. As a result of the Merger, ELEKOM will experience an ownership change as defined in Section 382(g) of the Code with the result that any tax credit carryforwards, NOL carryovers, capital loss carryforwards or built-in deductions may become subject to the limitations on use provided by Sections 382 and 383 of the Code. In addition, the Merger may result in the imposition of certain consolidated return limitations on the ability of the ELEKOM consolidated return group to utilize any ELEKOM tax credit carryovers, NOL carryovers, capital loss carryforwards or built-in deductions pursuant to the Treasury Regulations under Section 1502 of the Code. If any of the proceeds of the interim funding to be provided by the Company to ELEKOM pursuant to Section 4.6 of the Agreement were to be distributed to or otherwise accrue to the benefit of the ELEKOM Shareholders, the funding could give rise to taxable income for the shareholders or affect Tax Counsel's opinion as to the

qualification of the Merger as a reorganization. ELEKOM has represented to its shareholders that the interim funding will be used for business purposes by ELEKOM and not for shareholder purposes (other than to the extent any amounts payable pursuant to the ELEKOM Buyback Provisions were so considered.

Consequences of Failure to Qualify as a Tax-Free Reorganization. A successful IRS challenge to the reorganization status of the Merger (as a result of a failure of the "continuity of interest" requirement or otherwise) would result in ELEKOM being treated as having sold its assets in a taxable

sale and then as having distributed the proceeds to the shareholders in redemption of their stock. In such event, each holder of ELEKOM capital stock would recognize gain or loss with respect to each share of ELEKOM capital stock surrendered equal to the difference between the shareholder's basis in such share and the fair market value, at the Effective Time, of the Company Common Stock received in exchange therefor plus any cash payable pursuant to the Agreement. In such event, a shareholder's aggregate basis in the Company Common Stock so received would equal its fair market value, and the shareholder's holding period for such stock would begin the day after the Effective Time. As the successor to ELEKOM's liabilities, Clarus CSA would be responsible for the corporate (as opposed to shareholder) level tax liabilities.

Assumptions made by Tax Counsel; Reissuance of Tax Opinion. Tax Counsel's opinion is based on certain factual assumptions and the accuracy of the representations as indicated above. In addition to the assumptions above, the following assumptions, among others, have been made by Tax Counsel: (i) the Merger will be consummated in accordance with the Agreement; (ii) substantially all of ELEKOM's assets will be acquired by Clarus CSA in the Merger, and (iii) after the Effective Time the Company intends to continue the historic business of ELEKOM or use a significant portion of its business assets in a business. Assuming the continuing accuracy of the foregoing assumptions and representations as of the Effective Time and no change in the Code, the Treasury Regulations proposed or promulgated thereunder, or any other administrative or judicial interpretations thereof after the date hereof and on or before the Effective Time, the opinion of Tax Counsel will be reissued by Tax Counsel as of the Effective Time.

ACCOUNTING TREATMENT

It is anticipated that the Merger will be accounted for as a purchase business combination. See "Pro Forma Condensed Financial Statements."

The Company's allocation of the purchase price in the Merger will result in the allocation of $14.0 million as in-process acquired research and development which, under generally accepted accounting principles, will be expensed upon completion of the Merger.

RESALE OF THE COMPANY'S COMMON STOCK

The shares of the Company Common Stock to be issued to ELEKOM Shareholders in the Merger have been registered under the Securities Act, but that registration does not cover resales of those shares by persons who control, are controlled by, or are under common control with ELEKOM (such persons are referred to hereinafter as "affiliates" and generally include executive officers, directors and 10% shareholders) at the time of the ELEKOM Meeting. Affiliates may not sell shares of Company Common Stock acquired by them in connection with the Merger, except pursuant to an effective registration statement under the Securities Act or in compliance with SEC Rule 145 or another applicable exemption from the Securities Act registration requirements.

Each person whom ELEKOM reasonably believes to be an affiliate of ELEKOM has delivered to the Company a written agreement providing that such person generally will not sell, pledge, transfer, or otherwise dispose of any the Company's Common Stock to be received by such person in connection with the Merger, except in compliance with the Securities Act; and the rules and regulations of the SEC promulgated thereunder.

In addition, the holders of ELEKOM Preferred Stock and Norman N. Behar will be subject to a lock-up agreement pursuant to which each has agreed not to sell any Company Common Stock received by such Shareholder in connection with the Merger before the earlier of (i) the nine month anniversary of the Effective Time, or (ii) October 1, 1999.

DIRECTORS AND EXECUTIVE OFFICERS FOLLOWING THE MERGER

The officers and directors of the Company will remain the same following the Merger. Following the Merger, Norman N. Behar will serve as Executive Vice President of Clarus CSA, pursuant to the terms of an employment agreement with Clarus CSA with a termination date of March 31, 1999. The Company has agreed, subject to the exercise by the Company's Board of its fiduciary duties, to

nominate Mr. Behar for election as a director of the Company at the Company's next annual stockholders' meeting. The Agreement provides that Mr. Behar shall have board observation rights until the time he is elected to the Company's Board. If Mr. Behar is elected to the Company's Board and his term expires before June 30, 2000, he will maintain board observation rights until June 30, 2000.

Mr. Behar, age 35, has served as President and Chief Executive Officer of ELEKOM since January 1998. Prior to joining ELEKOM in January 1998, Mr. Behar served from January1996 to December1998 as President and Chief Executive Officer of Catapult, Inc., a leading provider of personal computer training services. From April 1991 to December 1995, Mr. Behar was Chief Operating Officer of Catapult, Inc.

EXPENSES AND FEES

The Agreement provides, in general, that each of the parties will bear and pay its own expenses in connection with the transactions contemplated by the Agreement, including fees and expenses of its own financial or other consultants, investment bankers, and counsel. In the event that ELEKOM's expenses in connection with the transactions contemplated by the Agreement exceed $150,000, such expenses in excess of $150,000 will be payable from the cash received by ELEKOM in the Merger.

RIGHTS OF DISSENTING ELEKOM SHAREHOLDERS

If the Merger occurs, ELEKOM Shareholders are entitled to dissenters' rights under Chapter 23B.13 of the WBCA in connection with the Merger. The Company's stockholders are not entitled to dissenters' rights in connection with the Merger.

The following discussion is not a complete statement of the law pertaining to dissenters' rights under the WBCA and is qualified in its entirety by reference to the full text of Chapter 23B.13 of the WBCA, which is attached to this Prospectus as Appendix C. Any shareholder of ELEKOM who wishes to exercise, or to preserve his or her right to exercise, dissenters' rights should review the following discussion and Appendix C carefully, because failure to timely and properly comply with the specified procedures will result in the loss of dissenters' rights under the WBCA.

Under the WBCA, ELEKOM Shareholders have the right to dissent with respect to the Merger and, subject to certain conditions, may require purchase of their shares for cash based upon the "fair value" of those shares in lieu of the consideration provided for in the Agreement. Under the WBCA, the "fair value" of dissenting shares means the value of the shares of ELEKOM immediately before the Effective Time of the Merger, excluding any appreciation or depreciation in anticipation of the Merger, unless exclusion would be inequitable. The "fair value" could be more than, equal to or less than the Merger Consideration. In the event the dissenting shareholder and the corporation cannot agree on the "fair value" of the dissenter's shares, "fair value" may ultimately be determined by a court in an appraisal proceeding.

Each shareholder owner asserting dissenters' rights must assert such rights with respect to all shares that such shareholder beneficially owns or of which such shareholder has power to direct the vote, and such shareholder must submit to ELEKOM, with or prior to such shareholder's assertion of dissenters' rights, the record shareholder's written consent to such dissent. A record shareholder may assert dissenters' rights as to fewer than all the shares registered in such shareholder's name only if the shareholder dissents with respect to all shares beneficially owned by any one person and notifies ELEKOM in writing of the name and address of each person on whose behalf such shareholder asserts dissenters' rights. To properly exercise dissenters' rights with respect to the Merger and to be entitled to payment under the WBCA, an ELEKOM dissenting shareholder

(i) must deliver to ELEKOM, before the vote on the Merger is taken, written notice of such shareholder's intent to demand payment for such shareholder's shares if the Merger occurs and (ii) must not vote such shareholder's shares in favor of the Merger. Such notice should be delivered to ELEKOM at its principal executive offices, located at 500 108th Avenue NE, Suite 1400, Bellevue, Washington 98004, Attention: Corporate Secretary. A shareholder who does not satisfy both of these requirements will not be entitled to

dissenters' rights. Thus, any ELEKOM Shareholder who wishes to dissent and who executes and returns a proxy on one of the accompanying forms must specify that such holder's shares are to be voted against the Merger or that the proxy holder should abstain from voting such holder's shares in favor of the Merger. A VOTE AGAINST THE MERGER IS NOT A PROPER EXERCISE OF DISSENTERS' RIGHTS. If the shareholder returns a proxy without voting instructions, or with instructions to vote in favor of the Merger, such holder's shares will automatically be voted in favor of the Merger, and the shareholder will lose any dissenters' rights.

If the Merger is approved by the ELEKOM Shareholders, ELEKOM will send a written dissenter's notice not later than 10 days after the Effective Time to each ELEKOM dissenting shareholder who satisfied the requirements of (i) and (ii) above, (i) stating where such shareholder must send his or her written payment demand, (ii) stating where and when certificates representing ELEKOM capital stock must be deposited, (iii) containing a form for demanding payment, which requires that the dissenter certify whether or not he or she acquired beneficial ownership before the first public announcement of the Merger on August 31, 1998, and (iv) setting a date by which such written payment demand must be received, which date may not be less than 30 nor more than 60 days after the dissenter's notice is delivered. Such notice must be accompanied by a copy of Chapter 23B.13 of the WBCA. An ELEKOM Shareholder who does not demand payment, certify that such shareholder acquired the shares before August 31, 1998, and deposit his or her shares within the time provided by such notice will not be entitled to dissenters' rights.

ELEKOM shall pay to each ELEKOM dissenting shareholder who complies with the procedures described above, within 30 days after the Effective Time, the amount that ELEKOM estimates to be the fair value of such dissenter's shares, plus accrued interest. ELEKOM will provide, along with such payment, certain financial information, including ELEKOM's balance sheet as of the end of a fiscal year ended not more than 16 months before the date of payment, an income statement for that year, and statement of changes in shareholders' equity for its last fiscal year and ELEKOM's latest available interim financial statements, an explanation of how the accrued interest was calculated, and certain other information. ELEKOM may elect; however, to withhold such payment from any dissenter who was not the beneficial owner of the shares of ELEKOM capital stock as to which dissenters' rights are asserted before the date of first public announcement of the Merger on August 31, 1998. Any dissenting shareholder who is dissatisfied with such payment or such offer may, within 30 days after such payment or offer for payment, notify ELEKOM in writing of such shareholder's estimate of fair value of his or her shares and the amount of interest due, and demand payment thereof if:

(a) The dissenter believes that the amount paid or offered is less than the fair value of the dissenter's shares or that the interest due is incorrectly calculated;

(b) ELEKOM fails to make payment within 60 days after the date set for demanding payment; or

(c) The Merger is not effected, and ELEKOM does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within 60 days after the date set forth for demanding payment.

If any ELEKOM dissenting shareholder's demand for payment is not settled within 60 days after receipt by ELEKOM of such shareholder's payment demand (as described above), the WBCA requires that ELEKOM commence a proceeding in the Superior Court of King County, Washington, and petition the court to determine the fair value of the shares and accrued interest, naming all ELEKOM dissenting shareholders whose demands remain unsettled as parties to the proceeding. If ELEKOM does not commence such proceeding within the 60-day period, it will pay each dissenter whose demand remains unsettled the amount demanded. If ELEKOM commences a proceeding in timely fashion, but the court determines that a shareholder has not complied with the requirements of the WBCA, the shareholder shall be dismissed as a party. The court may appoint one or

more persons as appraisers to receive evidence and recommend the fair value of the shares. The dissenters will be entitled to the same discovery rights as parties in other civil actions. Each dissenter made a party to the proceeding will be entitled to judgment for the amount, if any, by which the court finds

that the fair value of his or her shares, plus accrued interest, exceeds the amount paid by ELEKOM.

Court costs and approval fees generally will be assessed against ELEKOM, except that the court may assess such costs against some or all of the dissenters to the extent that the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment. The court may also assess the fees and expenses of counsel and experts of the respective parties in amounts that the court finds equitable: (i) against ELEKOM, if the court finds that it did not substantially comply with provisions of the WBCA concerning dissenter's rights and (ii) against either the dissenter or ELEKOM, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith. If the court finds that services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees should not be assessed against ELEKOM, the court may award to such counsel reasonable fees to be paid out of the amounts awarded to dissenters who benefitted from the proceedings.

If the Merger is not effected within 60 days after the date set for demanding payment and depositing share certificates, ELEKOM shall return the deposited certificates and release any transfer restrictions imposed on uncertificated shares.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

Employee benefits and Option Grants. Employees of ELEKOM who become employees of Clarus CSA will be eligible to receive awards of stock options under the Company's 1998 Stock Option Plan.

Employment Agreements. Clarus CSA will enter into an employment agreement with Norman N. Behar pursuant to which Mr. Behar will serve as Executive Vice President of Clarus CSA following the Effective Time and until March 31, 1999. Clarus CSA will also enter into employment agreements with Wayne Burns, Chief Financial Officer of ELEKOM, Ona Karasa, Vice President Development of ELEKOM and Todd Ostrander, Vice President Marketing of ELEKOM. None of the key executives of ELEKOM currently serve pursuant to the terms of an employment agreement with ELEKOM.

Registration Rights Agreement. The Company has agreed to enter into a Registration Rights Agreement with the holders of ELEKOM Preferred Stock and Mr. Behar pursuant to which the Company will agree, subject to certain limitations, to include the Company Common Stock owned by such Shareholders in any future registration of the Company's securities. See--"Registration Rights Agreement."

As of the Record Date, the directors and executive officers of ELEKOM beneficially owned shares of the Company's Common Stock.

Acceleration Under Option Plan. Pursuant to the terms of ELEKOM's 1996 Stock Option Plan, immediately prior to the Merger, 50% of all unvested shares subject to option awards shall immediately become exercisable, and all remaining unexercisable shares shall be canceled. Holders of options to purchase ELEKOM Common Stock will be given an opportunity to exercise of such accelerated shares, subject to consummation of the Merger, in advance of the Closing. On the date of this prospectus, ELEKOM had issued and outstanding shares of ELEKOM Common Stock that were issued upon exercise of unvested option awards and are subject to repurchase. It is anticipated that, after the acceleration of vesting in accordance with the plan, approximately of such shares will remain subject to repurchase (assuming that the Closing occurs on or about October , 1998). The Company currently intends to repurchase all such unvested shares. In addition, the ELEKOM Board intends to accelerate all of the unvested shares subject to option awards granted to Messrs. Wayne Burns and Jonathan Lazarus prior to the Effective Time of the Merger.

SHAREHOLDERS' VOTING AGREEMENTS

Concurrently with the execution of the Agreement, ELEKOM, the holders of ELEKOM Preferred Stock and Messrs. Behar and Burns entered into a Voting Agreement, pursuant to which each ELEKOM preferred

shareholder and Messrs. Behar and Burns have agreed to vote 49% of all shares of ELEKOM Common Stock, 100% of Series A Stock and 67% of Series B Stock that such shareholders have the right to vote in favor of approval of the Merger and the Agreement. Pursuant to the Voting Agreement, such shareholders have also acknowledged the applicability of the resale restrictions imposed by Rule 145 promulgated under the Securities Act on the Company Common Stock to be received by them in the Merger.

REGISTRATION RIGHTS AGREEMENT

To induce the holders of ELEKOM Preferred Stock and Mr. Behar to sign the Voting Agreement, the Company has agreed to enter into a registration rights agreement (the "Registration Rights Agreement") with such shareholders prior to the Effective Time. The Registration Rights Agreement provides that, subject to certain limitations, if at any time or from time to time during the term of the Registration Rights Agreement the Company registers any of its securities, whether for its own account or for the account of a holder or holders of the Company securities (other than a registration relating solely to an employee benefit plan or transaction to which Rule 145 promulgated under the Securities Act applies), the Company will include in such registration, and in any underwriting involved therein, the Company Common Stock to be issued to such shareholders in connection with the Merger. The Registration Rights Agreement will terminate on the earlier of (i) two years following the Effective Time and (ii) such time as no ELEKOM Shareholder that is a party thereto owns any of the Company Common Stock issued to such shareholder in connection with the Merger. The Registration Rights Agreement also contains usual and customary terms for such agreements.

EFFECT ON EMPLOYEES, EMPLOYEE BENEFIT PLANS AND STOCK OPTIONS

ELEKOM Employees

The Agreement provides that the Company will enter into employment agreements with the following ELEKOM employees: Norman Behar, Wayne Burns, Ona Karasa, and Todd Ostrander. See "Interests of Certain Persons in the Merger."

Employee Benefits

ELEKOM has agreed that, before the Merger, it will convert the ELEKOM 401(k) Plan from a "standardized" prototype plan to a "non-standardized" prototype plan, with terms that are substantially similar to those of the "standardized" prototype plan as adopted by ELEKOM.

With respect to each individual who is employed by ELEKOM or any of its subsidiaries immediately before the Effective Time and who becomes employed by the Company or any of its subsidiaries as of the Effective Time or as the result of the Merger ("Continuing Employees"), the Company has agreed as follows:

Welfare Benefit Plans. The Company will terminate the group medical, dental, vision, life insurance, supplemental life insurance, short-term disability, long-term disability, accidental death and dismemberment and Section 125 (cafeteria) plans and all other employee benefit plans, policies, programs, arrangements or payroll practice sponsored by ELEKOM effective December 31, 1998. As of January 1, 1999, Continuing Employees and their eligible dependents will be eligible to participate in the group medical, dental, life insurance, supplemental life insurance, short-term disability, long-term disability, accidental death and dismemberment and Section 125 plans and all other employee benefit, policy, program, arrangement or payroll practices sponsored by the Company or its subsidiaries (the "Company Group Plans"). The Company and its subsidiaries will waive, with respect to Continuing Employees and their eligible dependents, any pre-existing condition limitations and eligibility waiting periods under the Company Group Plans. The Company does not provide vision care benefits to its employees and does not intend to provide vision care benefits to Continuing Employees.

The Company's Group Health Plan. The amount of the annual premium for which a Continuing Employee is responsible for paying (the "Annual Employee Premium") for coverage of the Continuing Employee and his

or her eligible dependents under the Company's medical plan will be determined by the Company and the insurer or insurers under the medical plan. To the

extent that the Annual Employee Premium in effect on January 1, 1999, charged to a Continuing Employee for coverage of the Continuing Employee and dependents under the Company's medical plan exceeds the amount of the Annual Employee Premium in effect on December 31, 1998, charged to the Continuing Employee for coverage of under the ELEKOM medical plan, the Company will increase the annual salary of the Continuing Employee, effective as of January 1, 1999, in an amount equal to the difference in the Annual Employee Premium.

401(k) Plan. The Company will merge ELEKOM's 401(k) plan into the Company's 401(k) plan effective December 31, 1998. The account of each Continuing Employee participating in ELEKOM's 401(k) plan will become fully vested at the Effective Time. Each Continuing Employee who was a participant in ELEKOM's 401(k) plan on December 31, 1998, will be eligible to participate in the Company's 401(k) plan on January 1, 1999. For purposes of vesting, each Continuing Employee's service with ELEKOM and its subsidiaries and affiliates before the Effective Time will be treated as service with the Company and its subsidiaries.

Any new employee hired by Clarus CSA after the Effective Time but before January 1, 1999 will be eligible to participate in the Company Group Plans and the Company's 401(k) plan in accordance with the terms of those plans and will not be eligible to participate in ELEKOM's group plans or 401(k) plan.

Stock Options

The Agreement provides that there will be no options to acquire ELEKOM stock outstanding at Closing. Pursuant to the terms of ELEKOM's 1996 Stock Option Plan, immediately prior to the Merger, 50% of all unvested shares subject to option awards shall immediately become exercisable, and all remaining unexercisable shares shall be canceled. Holders of options to purchase ELEKOM Common Stock will be given an opportunity to exercise of such accelerated shares, subject to consummation of the Merger in advance of the Closing. ELEKOM currently has issued and outstanding shares of ELEKOM Common Stock that were issued upon exercise of unvested option awards and are subject to repurchase. It is anticipated that, after the acceleration of vesting in accordance with the plan, approximately of such shares will remain subject to repurchase (assuming that the Closing occurs on or about October 1998). The Company currently intends to repurchase all such unvested shares.

Warrants

In connection with a recent bank financing, ELEKOM issued to SVB the Warrant to purchase up to 14,676 shares of Series B Stock in the event that ELEKOM draws on its line of credit with SVB. Currently, ELEKOM has no outstanding borrowings under the line of credit, so the Warrant has not been issued. If ELEKOM issues the Warant and SVB does not exercise the Warrant prior to the Closing Date, then, at the election of SVB, ELEKOM may be required to purchase the unexercised portion of the Warrant for cash equal to (i) the fair market value of any consideration that would have been received by SVB in consideration of the shares SVB would have received if it had exercised the Warrant immediately before the record date for determining the shareholders entitled to participate in the proceeds of the Merger, minus (ii) the aggregate exercise price of the shares subject to the Warrant.

COMPARATIVE MARKET PRICES AND DIVIDENDS

THE COMPANY'S MARKET PRICES

The Company Common Stock has been listed on the Nasdaq/NMS under the symbol "SQLF" from May 26, 1998, the effective date of the Company's initial public offering. On August 28, 1998, the Company changed its name to Clarus Corporation and effective September 2, 1998 changed its Nasdaq/NMS symbol from "SQLF" to "CLRS." Prior to May 26, 1998, there was no established trading market for the Company Common Stock. The following table sets forth, for the indicated periods, the high and low closing sales prices for the Company Common Stock as reported by the Nasdaq/NMS for quarters since May 26, 1998.

<TABLE>
<CAPTION>

	SALES PRICE	
CALENDAR PERIOD	HIGH	LOW

<S>	<C>	<C>
1998		
Second Quarter (beginning May 27, 1998).....	$10.00	$7.625
Third Quarter (through September , 1998).....	$ 9.25	$

ELEKOM STOCK PRICES

ELEKOM is privately held, and there is no public market of shares of ELEKOM Stock. As a result, ELEKOM Stock is not quoted on Nasdaq/NMS or any stock exchange.

RECENT PRICES

The last sale price of the Company Common Stock on August 31, 1998, the last trading day before public announcement of the proposed Merger as reported on the Nasdaq/NMS was $5.31. On October , 1998, the last day on which the Company Common Stock was traded prior to the mailing of this Proxy Statement/Prospectus, the last reported sales price of the Company Common Stock as reported on the Nasdaq/NMS was $ per share. ELEKOM Shareholders are urged to obtain current market quotations.

DIVIDENDS

The Company has not paid any dividends to its stockholders. The Company currently anticipates that it will retain all future earnings for use in its business and does not anticipate that it will pay any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board and will depend upon, among other things, the Company's results of operations, capital requirements, general business conditions, contractual restrictions on payment of dividends, if any, legal and regulatory restrictions on payment of dividends, and other factors the Company's Board deems relevant. In addition, the Company's line of credit prohibits the payment of dividends without prior lender approval. ELEKOM has not paid its shareholders any cash dividends and does not anticipate paying any dividends in the foreseeable future.

STOCKHOLDERS OF RECORD

As of the Record Date, there were approximately holders of record of the Company's Common Stock and holders of record of ELEKOM Stock.

The number of shares of Company Common Stock owned by beneficial owners of more than 5% of the Company Common Stock, the Company's Board and all directors and officers of the Company as a group will not change following the Merger. Each such person's percentage beneficial ownership, however, will be deceased. See "Company Principal Stockholders." The Company has no present commitment to such persons with respect to the issuance of shares of Company Common Stock other than issuances pursuant to the exercise of stock options.

UNAUDITED PRO FORMA FINANCIAL DATA

The following unaudited pro forma condensed combined balance sheet as of June 30, 1998, was prepared as if the Merger occurred on such date. The following unaudited condensed combined statements of operations give effect to the Merger as of the beginning of the periods presented. The unaudited pro forma condensed combined statements of operations do not purport to represent what the Company's results of operations actually would have been if the Merger had occurred as of such date or what such results will be for any future periods.

The unaudited pro forma condensed combined financial statements are derived from the historical financial statements of the Company and ELEKOM and the assumptions and adjustments described in the accompanying notes. The Company and ELEKOM believe that all adjustments necessary to present fairly such unaudited financial information have been made. The unaudited pro forma financial data should be read in conjunction with the consolidated financial statements and the accompanying notes thereto of the Company and ELEKOM appearing elsewhere in the Proxy Statement/Prospectus. The unaudited pro forma condensed consolidated financial statements do not reflect any cost savings or other economic efficiencies resulting from the Merger.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

JUNE 30, 1998
(IN THOUSANDS)

<TABLE>
<CAPTION>

ASSETS	COMPANY	ELEKOM	PRO FORMA ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>	<C>
Current assets:				
Cash	$26,090	$ 1,467	$(8,700)(a)	$18,857
Accounts receivable, net	5,818	114		5,932
Prepaid and other current assets	354	1		355
Total current assets	32,262	1,582	(8,700)	25,144
Property and equipment, net	2,069	477		2,546
Other assets:				
Intangible assets, net	5,508	-0-	1,584 (b)	7,092
Acquired in process research and development	-0-	-0-	14,000 (b)	-0-
			(14,000)(b)	
Deposits and other long-term assets	186	40		226
Total assets	$40,025	$ 2,099	$(7,116)	$35,008

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY				
<S>	<C>	<C>	<C>	<C>
Current liabilities:				
Note payable	$ 969	$ -0-	$	$ 969
Accounts payable and accrued liabilities	5,062	662		5,724
Deferred revenue	5,878	180		6,058
Current maturities of long-term debt	264	116		380
Total current liabilities	12,173	958		13,131
Noncurrent liabilities:				
Deferred revenue	3,355	-0-		3,355
Long-term debt, net of current maturities	375	24		399
Other non-current liabilities	65	-0-		65
Total liabilities	15,968	982		16,950
Stockholders' equity:				
Convertible preferred stock	-0-	52	(52)(c)	-0-
Common stock	1	9	1 (d)	2
			(9)(c)	
Additional paid in capital	51,354	11,124	8,000 (d)	59,354
			(11,124)(c)	
Accumulated deficit	(28,058)	(10,068)	(14,000)(b)	(42,058)
			10,068 (c)	
Warrants	1,440	-0-		1,440
Less treasury stock, at cost	(2)	-0-		(2)
Deferred compensation	(678)	-0-		(678)
Total stockholders' equity	24,057	1,117	(7,116)	18,058
Total liabilities and stockholders' equity	$40,025	$ 2,099	$(7,116)	$35,008

</TABLE>

See notes to unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	PRO FORMA	PRO

	COMPANY	ELEKOM	ADJUSTMENTS	FORMA
<S>	<C>	<C>	<C>	<C>
Revenues:				
License fees	$13,506	$ -0-	$	$ 13,506
Services fees	7,786	17		7,803
Maintenance fees	4,696	-0-		4,696
Total revenues	25,988	17		26,005
Cost of revenues:				
License fees	1,205	-0-		1,205
Services fees	5,339	13		5,352
Maintenance fees	1,973	-0-		1,973
Total cost of revenues	8,517	13		8,530
Operating expenses:				
Research and development	6,691	1,051		7,742
Sales and marketing	9,515	1,388		10,903
General and administrative	3,159	1,955		5,114
Depreciation	844	204		1,048
Amortization	562	-0-	250 (e)	812
Non-cash compensation	58	-0-		58
Total operating expenses	20,829	4,598	250	25,677
Operating loss	(3,358)	(4,594)	(250)	(8,202)
Interest income	35	16	(51)(f)	-0-
Interest expense	309	617	630 (g)	1,556
Minority interest	478	-0-		478
Net loss	$(4,110)	$ (5,195)	$ (931)	$(10,236)
Basic and diluted net loss per share	$ (2.97)	$(103,892)		$ (3.74)
Weighted average common shares outstanding	1,386	50	1,350 (d)	2,736

</TABLE>

See notes to unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	PRO FORMA COMPANY	PRO ELEKOM	ADJUSTMENTS	FORMA
<S>	<C>	<C>	<C>	<C>
Revenues:				
License fees	$ 8,443	$ 329	$(150)(h)	$ 8,622
Services fees	6,890	9		6,899
Maintenance fees	3,414	38		3,452
Total revenues	18,747	376	(150)	18,973
Cost of revenues:				
License fees	565	1		566
Services fees	4,507	75		4,582
Maintenance fees	1,516	34		1,550
Total cost of revenues	6,588	110		6,698
Operating expenses:				
Research and development	2,529	912		3,441
Sales and marketing	5,391	451		5,842
General and administrative	2,548	468		3,016
Depreciation	546	92		638
Amortization	383	-0-	140 (g)	523
Non-cash compensation	803	-0-		803

Total operating expenses.....	12,200	1,923	140	14,263
Operating loss.....	(41)	(1,657)	(290)	(1,988)
Interest income.....	159	46	150 (f)	55
Interest expense.....	121	-0-	90 (g)	211
Minority interest.....	36	-0-		36
Net loss.....	$ (39)	$(1,611)	$(530)	$(2,180)
Basic and diluted net loss per share...	$ (0.01)	$ (2.55)		$ (0.50)
Weighted average common shares outstanding.....	3,026	631	1,350 (d)	4,376

</TABLE>

See notes to unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The pro forma condensed combined balance sheet assumes that the Merger took place June 30, 1998, and combines ELEKOM's unaudited June 30, 1998 condensed balance sheet and the Company's unaudited June 30, 1998 consolidated condensed balance sheet.

The pro forma combined statements of operations assume the Merger took place as of the beginning of the periods presented and combine ELEKOM's unaudited statements of operations for the year and six month period ended December 31, 1997 and June 30, 1998, respectively, and the Company's consolidated statement of operations for the year and six month period ended December 31, 1997 and June 30, 1998, respectively.

All material transactions between ELEKOM and the Company during the periods presented have been eliminated as a pro forma adjustment.

There are no material differences between the accounting policies of ELEKOM and the Company.

The pro forma combined provision for income taxes may not represent the amounts that would have resulted had ELEKOM and the Company filed consolidated income tax returns during the periods presented.

NOTE 2. PRO FORMA ADJUSTMENTS

The pro forma adjustments are based on the Company's estimates of the value of the tangible and identifiable intangible assets acquired. A valuation of the tangible and identifiable intangible assets acquired has been conducted by an independent third-party appraisal company.

As a part of the proposed Merger, the Company has committed to fund the operations of ELEKOM for each two week period beginning October 1, 1998, if the merger is not completed by that date. Should the agreement not be completed by that date, bi-weekly funding of $250,000 will be provided until the earlier of the completion of the Merger or November 15, 1998. The bi-weekly funding would be considered additional purchase consideration when the Merger is completed. Furthermore, the Company estimates that ELEKOM's working capital may be substantially less at Closing compared to ELEKOM's historical working capital included in the accompanying unaudited pro forma condensed combined balance sheet as of June 30, 1998. An increase in the purchase consideration and/or a decrease in the working capital would result in a reallocation of the purchase price and would result in increases in values assigned to identifiable intangible assets compared to those presented in the accompanying pro forma condensed combined financial statements as of June 30, 1998.

Under purchase accounting, the total acquisition cost will be allocated to ELEKOM's assets and liabilities based on their relative fair values. The final allocations may be different from the results reflected herein. The Company's analysis, based on an independent appraisal, resulted in an allocation of

$14.0 million to in-process acquired research and development which, under generally accepted accounting principles, will be expensed immediately after the Merger is completed. The accompanying pro forma condensed combined statements of operations exclude the effects of the charge due to its nonrecurring nature.

(a) Represents the cash consideration of $8.0 million and estimated acquisition expenses of approximately $700,000 related to the Merger.

(b) Represents estimated valuation of tangible and intangible assets, including purchased in-process technology, resulting from the preliminary allocation of the purchase price. Valuation of the intangible assets acquired was conducted by an independent third-party appraisal company and consists of purchased in-process research and development, trademarks and trade-names, skilled workforce and favorable lease terms. In the accompanying unaudited pro forma condensed combined financial statements, the purchase price exceeded amounts allocated to tangible and intangible assets acquired less liabilities assumed by approximately $1.0 million.

The table below is a summary of the estimated amounts allocated to the long-lived assets acquired (dollars in thousands):

<TABLE>
<CAPTION>

BALANCE SHEET CATEGORY	VALUE ASSIGNED TO ASSETS ACQUIRED
<S>	<C>
Property and equipment	$ 477
Purchased in-process research and development	14,000
Intangible assets:	
Market presence and recognition	979
Skilled workforce	520
Favorable lease terms	55
Trademarks and trade-names	30

</TABLE>

The Merger will be accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations." The intangible assets of approximately $1.6 million noted above will be amortized over periods ranging from 3 months to 10 years. Based on the independent third-party appraisal, approximately $14.0 million of the purchase price represents purchased in-process technology that has not yet reached technological feasibility and has no alternative future use. This amount will be expensed as a non-recurring, non-tax deductible charge upon consummation of the acquisition. This amount has been reflected as a reduction to stockholders' equity and has not been included in the pro forma combined statements of operations due to its non-recurring nature.

The existence of purchased research and development was determined by a third-party independent appraisal identifying computer software code under development by ELEKOM since 1995. The value was determined by estimating the remaining costs to develop the purchased in-process technology into a commercially viable product, estimating the resulting net cash flows from the project and discounting the net cash flows back to its present value.

The nature of the efforts to develop the purchased research and development into a commercially viable product principally relate to the completion of all planning, designing, programming and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features and technical performance requirements. The efforts to develop the purchased in-process technology also include determining the compatibility and interoperability with other applications. The estimated remaining costs to be incurred to develop the purchased in-process research and development into a commercially viable product is approximately $2.0 million.

The resulting net cash flows from the project is based on management's estimates of revenues, cost of sales, research and development costs, selling, general and administrative costs, and income taxes from the project. These estimates are based on the following assumptions.

. The estimated revenues project a compounded annual revenue growth rate of approximately 48% from 1999-2002. Estimated revenue for 1999 is projected to be $5.3 million, compared to virtually no revenue in 1998. Estimated total revenues from the purchased research and development peaks in the year 2002 and declines rapidly in 2003-2005 as other new products are expected to enter the market. These projections are based on management's estimates of market size and growth, expected trends in technology and the nature and expected timing of new product introductions by ELEKOM and its competitors. These estimates also include growth related to the Company utilizing certain ELEKOM technologies in conjunction with the Company's products, marketing and distributing the resulting products through the Company's direct sales force enhancing the market's response to ELEKOM's products by providing incremental financial support and stability.

. The estimated cost of sales as a percentage of revenues is expected to be 5%. This percentage is somewhat lower than the annual cost of license fees percentage for the Company due to the lower royalty rates on certain third party software used by ELEKOM compared to the Company's third party software.

. The estimated research and development expenses were based on the estimated time associated with the remaining cost to develop the in-process research and development. Research and development expenses represent 33% of revenue in 1999 due to the anticipated release of the product in 1999.

. Sales and marketing and general and administrative expenses in the early years are expected to more closely approximate the 1998 expense structure of the Company. Sales and marketing expenses are expected to benefit from the savings as a result of the distribution of the ELEKOM product through the Company's direct sales force as well as through consolidated marketing and advertising campaigns.

. Income tax expense is estimated using a 38% tax rate, consistent with the Company's anticipated tax rate.

Discounting the net cash flows back to their present values is based on the present value discount rate. The present value discount rate used in the analysis represents the weighted average cost of capital (WACC) for ELEKOM plus 2%. The WACC calculation produces the average required rate of return of an investment in an operating enterprise, based on various required rates of return from investment in various areas of that enterprise. The WACC assumed for ELEKOM, as a corporate business enterprise, is approximately 25%. Therefore, the discount rate used in discounting the net cash flows from purchased in-process technology is approximately 27%. This discount rate is higher than the WACC due to the inherent uncertainties in the estimates described above including the uncertainty surrounding the successful development of the purchased in-process technology, the useful life of such technology, the profitability levels of such technology and the uncertainty of technological advances that are unknown at this time.

If this project is not successfully developed, the sales and profitability of the combined company may be adversely affected in future periods. Additionally, the value of other intangible assets acquired may become impaired. The Company expects to begin to benefit from the purchased in-process technology in the second quarter 1999.

Intangible assets of $1.6 million are comprised of market presence and recognition of approximately $1.0 million, skilled workforce of $520,000, favorable lease terms of $55,000, and trademarks and trade-names of $30,000, which have estimated useful lives of 10 years, 6 years, 2 years and one month, respectively.

The estimated annual amortization charge to operations related to intangible assets approximates $220,000. This charge is reflected in the pro forma combined statement of operations.

(c) Represents adjustments to reflect the elimination of convertible

preferred stock, common stock, additional paid in capital and accumulated deficit account balances of ELEKOM.

(d) Represents the issuance of 1,350,000 shares of the Company's common stock valued at $5.93, the minimum Closing Price of the Company's common stock for which 1,350,000 shares of common stock will be issued pursuant to the Agreement, as consideration for the Merger.

(e) Adjustment to reflect the amortization expense of identifiable intangible assets acquired as a result of the Merger. The acquired identifiable intangible assets will be amortized over periods ranging from 3 months to 10 years.

(f) Adjustment to eliminate certain interest income as available cash balances would have provided funding for the cash portion of the purchase consideration.

(g) Adjustment to interest expense for incremental debt required to fund the cash portion of the purchase consideration in excess of the average cash balances available for the periods presented.

(h) Adjustment to eliminate revenue recognized by ELEKOM for business transacted between the Company and ELEKOM.

SELECTED HISTORICAL FINANCIAL DATA OF THE COMPANY

The selected combined financial data of the Company set forth below should be read in conjunction with the Consolidated Financial Statements of the Company, including the Notes thereto, and "Company Management's Discussion and Analysis of Financial Condition and Results of Operations." The statement of operations data for the years ended December 31, 1993, 1994, 1995, 1996 and 1997 and the balance sheet data as of December 31, 1993, 1994, 1995, 1996 and 1997 have been derived from, and are qualified by reference to, the Company's financial statements audited by Arthur Andersen LLP, independent public accountants. The statement of operations data for the six months ended June 30, 1997 and 1998 and the balance sheet data as of June 30, 1998 have been derived from the unaudited financial statements of the Company, but include all adjustments (consisting only of normal recurring adjustments) which the Company considers necessary for a fair presentation of the results of operations and financial position for the periods presented. The results of operations for the six months ended June 30, 1998, may not be indicative of the operating results that may be expected for the Company's fiscal year ended December 31, 1998.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Revenues:							
License fees	$ 715	$ 2,568	$ 5,232	$ 6,425	$13,506	$ 4,728	$ 8,443
Services fees	245	836	1,737	3,984	7,786	3,276	6,890
Maintenance fees	94	417	1,221	2,647	4,696	1,917	3,414
Total revenues	1,054	3,821	8,190	13,056	25,988	9,921	18,747
Cost of revenues:							
License fees	12	98	291	416	1,205	378	565
Services fees	225	860	1,421	2,904	5,338	2,322	4,507
Maintenance fees	189	277	655	1,350	1,973	850	1,516
Total cost of revenues	426	1,235	2,367	4,670	8,516	3,550	6,588
Operating expenses:							
Research and development	1,364	2,130	3,882	5,360	6,690	3,824	2,529
Sales and marketing	541	2,718	6,636	7,191	9,515	4,604	5,391

General and administrative.....	866	2,733	2,923	2,368	3,161	1,349	2,548
Depreciation and amortization.....	13	162	369	1,125	1,406	698	929
Non-cash compensation..	-0-	-0-	-0-	-0-	58	23	803
Total operating expenses.....	2,784	7,743	13,810	16,044	20,830	10,498	12,200
Operating loss.....	(2,156)	(5,157)	(7,987)	(7,658)	(3,358)	(4,127)	(41)
Interest expense (income), net.....	14	(17)	2	6	274	91	(38)
Minority interest.....	-0-	-0-	(60)	(215)	(478)	(189)	(36)
Net loss.....	$(2,170)	$(5,140)	$(8,049)	$(7,879)	$(4,110)	$(4,407)	$ (39)
Basic and diluted net loss per share.....	$ (2.23)	$ (5.65)	$ (6.19)	$ (5.74)	$ (2.97)	$ (3.19)	$ (0.01)
Weighted average common shares outstanding.....	975	910	1,300	1,373	1,386	1,382	3,026

<TABLE>
<CAPTION>

	DECEMBER 31,					JUNE 30,
	1993	1994	1995	1996	1997	1998
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Cash and cash equivalents.....	$ 1,488	$ 492	$ 3,333	$ 3,279	$ 7,213	$26,090
Working capital (deficit).....	1,178	(1,424)	(2,555)	(3,422)	(453)	20,089
Total assets.....	1,981	1,506	5,865	8,525	14,681	40,025
Long-term debt, net of current portion.....	190	143	93	1,093	497	375
Total stockholders' (deficit) equity.....	(2,961)	(8,732)	(15,927)	(23,837)	(27,910)	24,057

</TABLE>

COMPANY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company was formed in November 1991 to develop, market, license and support financial applications. In 1997, the Company introduced a series of additional modules and product enhancements. Specifically, in the first quarter of 1997, the Company introduced its human resource applications, which included the Personnel, Benefits and Payroll modules. In 1997, the Company introduced its Financial Statement Accelerator module, a distributed management reporting solution, and a 32-bit version of its financial applications (the "Denver Release"), which included two new modules, Purchasing Control and Solution/Graphical Architect. Total license revenues from these new products in 1997 were $5.7 million. In September 1998 the Company introduced its CLARUS Corporate Service Applications. The Company currently markets its products in the United States and Canada through its direct sales force and has licensed its client/server applications to more than 225 customers in a variety of industry segments, including insurance, financial services, communications, retail, printing and publishing, transportation and manufacturing. The Company also offers fee-based implementation, training and upgrade services and ongoing maintenance and support of its products for a twelve-month renewable term.

On May 26, 1998, the Company completed an initial public offering of its Common Stock in which it sold 2.5 million shares for approximately $22.0 million after deducting offering expenses including underwriting discounts.

Through 1997 the Company recognized revenue in compliance with Statement of Position ("SOP") 91-1 "Software Revenue Recognition." Effective January 1, 1998, the Company adopted SOP 97-2 "Software Revenue Recognition." The adoption of this SOP did have a significant impact on the Company's consolidated financial statements. Revenues from software licenses have been recognized upon delivery of the product if there are no significant obligations on the part of the Company following delivery and collection of the related receivable, if any, is deemed probable by management. Revenues from service fees relate to implementation, training and upgrade services performed by the Company and have been recognized as the services are performed. Maintenance fees relate to customer maintenance and support and have been recognized ratably over the term of the software support agreement, which is typically 12 months. A majority of the Company's customers renew the maintenance and support agreements after the initial term. Revenues that have been prepaid or invoiced, but that do not yet qualify for recognition under the Company's policies are reflected as deferred revenues.

Cost of license fees include royalties and software duplication and distribution costs. These costs are recognized by the Company as the applications are shipped. Cost of services fees include personnel and related costs incurred to provide implementation, training and upgrade services to customers. These services were provided by the SQL Financial Services, L.L.C. (the "Services Subsidiary") Services Subsidiary beginning in March 1995 and prior to that time by third-party contractors. These costs are recognized as the services are performed. Cost of maintenance fees include personnel and related costs incurred to provide the ongoing support and maintenance of the Company's products. These costs are recognized as incurred.

Research and development expenses consist primarily of personnel costs and subcontractor fees and amortization of acquired software. The Company accounts for software development costs under Statement of Financial Accounting Standards ("SFAS") No. 86 "Accounting For the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Research and development expenses are charged to expense as incurred until technological feasibility is established, after which remaining costs are capitalized. The Company defines technological feasibility as the point in time at which the Company has a working model of the related product. 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. Therefore, the Company has charged all internal software development costs to expense as incurred.

Sales and marketing expenses consist primarily of salaries, commissions and benefits to sales and marketing personnel, travel, trade show participation, public relations and other promotional expenses. General and administrative expenses consist primarily of salaries for financial, administrative and management personnel and related travel expenses, as well as occupancy, equipment and other administrative costs.

The Company has net NOLs of approximately $25.6 million at June 30, 1998, which begin expiring in 2007. The Company established a valuation allowance equal to the NOLs and all other deferred tax assets. The benefits from these deferred tax assets will be recorded when realized which will reduce the Company's effective tax rate for future taxable income, if any. Due to changes in the Company's ownership structure, the Company's use of its NOLs as of May 26, 1998, of approximately $26.0 million will be limited to approximately $3.8 million in any given year to offset future taxes. If the Company does not realize taxable income in excess of the limitation in future years, certain NOLs will be unrealizable.

AFFILIATE RELATIONSHIPS

In March 1995, the Company and Tech Ventures, which is controlled by Joseph S. McCall, formed the Services Subsidiary to provide implementation, training and upgrade services exclusively for the Company's customers. On February 5, 1998, Tech Ventures sold its 20.0% interest in the Services Subsidiary to the Company in exchange for 225,000 shares of the Company's Common Stock, a warrant to purchase an additional 300,000 shares of Common Stock at a price of $3.67 per share, and a non-interest bearing promissory note in the principal amount of $1.1 million. The purchase of the 20.0% of the Services Subsidiary was accounted for as a purchase and will result in goodwill in the amount of

$4.2 million that is being amortized over 15 years.

In the second quarter of 1998, the Company accelerated the vesting of certain employee stock options issued in the first quarter of 1998, for 283,000 shares of Common Stock, at an exercise price of between $3.67 per share and $8.00 per share. As a result of this accelerated vesting, the Company recognized in the second quarter of 1998 a noncash, nonrecurring charge of approximately $705,000 representing the remaining unamortized deferred compensation previously recorded on these options.

SUMMARY OF THE EFFECTS OF THE MERGER

The Company anticipates the integration and consolidation of ELEKOM will require substantial management, financial and other resources. The acquisition of ELEKOM will involve a number of significant risks including potential difficulties in assimilating the technologies, services and products of ELEKOM or in achieving the expected synergies and cost reductions, as well as other unanticipated risks and uncertainties. As a result, there can be no assurance as to the extent to which the anticipated benefit with respect to the Merger will be realized, or the timing of any such realization. See "Risk Factors--Transaction Expenses; Risk of Inability to Integrate Operations."

The Merger is expected to lower the net earnings of the Company through 1998 as a result of a substantial increase in amortization of intangible and other long-lived assets and various other adjustments resulting from purchase accounting. The 1997 unaudited pro forma condensed combined net loss before nonrecurring charges would have been approximately $10.2 million, a net loss which is approximately 149% greater than the Company's actual historical results for 1997. See "Unaudited Pro Forma Financial Statements." The Company believes that earnings beyond 1998 should improve as a result of the web-based, electronic procurement market presence and recognition afforded the Company as a result of the completion of the Merger. No assurances can be given as to the amount or timing of such benefit that may actually be realized or that any such growth may occur. See "Risk Factors--Ability to Successfully Integrate ELEKOM."

The Merger will be accounted for as a purchase. Under purchase accounting, the total purchase cost and fair value of liabilities assumed will be allocated to the tangible and intangible assets of ELEKOM based upon their respective fair values as of the Closing. On a pro forma basis as of June 30, 1998, intangible assets of $1.6 million are comprised of market presence and recognition of approximately $1.0 million, skilled workforce of

$520,000, favorable lease terms of $55,000 and trademarks and tradenames of $30,000. On a pro forma basis as of June 30, 1998, the Company allocated $14.0 million to in-process research and development which the Company anticipates recording as a nonrecurring charge in the fourth quarter of 1998.

RESULTS OF OPERATIONS

The following table sets forth certain statement of operations data as a percentage of total revenues for the periods indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1997	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:								
License fees.....	67.2%	63.9%	49.2%	52.0%	51.0%	46.0%	47.7%	45.0%
Services fees.....	21.9	21.2	30.5	30.0	30.4	36.7	33.0	36.8
Maintenance fees.....	10.9	14.9	20.3	18.0	18.6	17.3	19.3	18.2
Total revenues.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues:								
License fees.....	2.6	3.6	3.2	4.6	3.7	2.9	3.8	3.0
Services fees.....	22.5	17.3	22.3	20.5	21.8	22.7	23.4	24.0
Maintenance fees.....	7.2	8.0	10.3	7.6	7.7	8.0	8.6	8.1

Total cost of revenues	32.3	28.9	35.8	32.7	33.2	33.6	35.8	35.1
Operating expenses:								
Research and development	55.7	47.4	41.1	25.7	36.9	13.2	38.6	13.5
Sales and marketing	71.1	81.0	55.1	36.6	43.1	27.7	46.4	28.7
General and administrative	71.5	35.7	18.1	12.3	12.8	11.4	13.6	13.6
Depreciation and amortization	4.3	4.5	8.6	5.4	6.5	5.0	7.0	5.0
Non-cash compensation	0.0	0.0	0.0	0.2	0.2	7.2	0.2	4.3
Total operating expenses	202.6	168.6	122.9	80.2	99.5	64.5	105.8	65.1
Operating income (loss)	(134.9)	(97.5)	(58.7)	(12.9)	(32.7)	1.9	(41.6)	(0.2)
Interest (income) expense, net	(0.4)	0.0	0.0	1.1	1.6	0.6	0.9	(0.2)
Minority interest	0.0	(0.8)	(1.6)	(1.8)	1.7	0.0	(1.9)	(0.2)
Net income (loss)	(134.5)%	(98.3)%	(60.3)%	(15.8)%	(36.0)%	2.5%	(44.4)%	(0.2)%
Gross margin on license fees	96.2%	94.4%	93.5%	91.1%	92.8%	93.7%	92.0%	93.3%
Gross margin on services fees	(2.9)	18.2	27.1	31.4	28.2	38.1	29.1	34.6
Gross margin on maintenance fees	33.6	46.4	49.0	58.0	58.6	54.0	55.7	55.6

</TABLE>

QUARTER AND SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO QUARTER AND SIX MONTHS ENDED JUNE 30, 1997

REVENUES

Total Revenues. For the quarter ended June 30, 1998, total revenues increased 91.2% to $10.5 million from $5.5 million in the comparable period in 1997. For the six months ended June 30, 1998, total revenues increased 89.0% to $18.7 million from $9.9 million in the comparable period in 1997. This increase was attributable to substantial increases in license fees, services fees and maintenance fees.

License Fees. License fees increased 72.5% to $4.8 million, or 46.0% of total revenues, in the quarter ended June 30, 1998, from $2.8 million, or 51.0% of total revenues, in the comparable period in 1997. License fees increased 78.6% to $8.4 million, or 45.0% of total revenues, in the six months ended June 30, 1998, from $4.7 million, or 47.7% of total revenues, in the comparable period in 1997. These increases in license fees resulted primarily from an increase in the number of licenses sold, reflecting a continuing increase in the demand for the Company's existing and new applications, and to a lesser extent, to an increase in the average customer transaction size.

Services Fees. Services fees increased 130.5% to $3.8 million, or 36.7% of total revenues, in the quarter ended June 30, 1998, from $1.7 million, or 30.4% of total revenues, in the comparable period in 1997. Services fees increased 110.3% to $6.9 million, or 36.8% of total revenues, in the six months ended June 30, 1998, from

$3.3 million, or 33.0% of total revenues, in the comparable period in 1997. The increase in services fees was primarily due to increased demand for professional services associated with the increase in the number of licenses sold.

Maintenance Fees. Maintenance fees increased 77.8% to $1.8 million, or 17.3% of total revenues, in the quarter ended June 30, 1998, from $1.0 million, or 18.6% of total revenues, in the comparable period in 1997. Maintenance fees increased 78.1% to $3.4 million, or 18.2% of total revenues in the six months ended June 30, 1998, from $1.9 million or 19.3% of total revenues in the comparable period in 1997. The increase in maintenance fees was primarily due to the signing of license agreements with new customers and the renewal of

maintenance contracts with existing customers.

COST OF REVENUES

Total Cost of Revenues. Cost of revenues increased 93.5% to $3.5 million, or 33.6% of total revenues, in the quarter ended June 30, 1998, from $1.8 million, or 33.2% of total revenues, in the comparable period in 1997. Cost of revenues increased 85.6% to $6.6 million, or 35.1% of total revenues, in the six months ended June 30, 1998, from $3.5 million, or 35.8% of total revenues, in the comparable period in 1997. The increase in the cost of revenues was primarily due to an increase in personnel and related expenses and increased royalty expenses for the respective periods.

Cost of License Fees. Cost of license fees increased 52.5% to $305,000, or 6.3% of total license fees, in the quarter ended June 30, 1998, compared to $200,000, or 7.2% of total license fees, in the comparable period in 1997. Cost of license fees increased 49.5% to $565,000, or 6.7% of total license fees, in the six months ended June 30, 1998, compared to $378,000, or 8.0% of total license fees, in the comparable period in 1997. The increases in the cost of license fees were primarily attributable to increases in the sale of third-party software products distributed by the Company resulting from increased sales volumes. The decrease as a percentage of total license fees is primarily attributable to the expiration of certain obligations under royalty agreements for third party software.

Cost of Services Fees. The cost of services fees increased 98.8% to $2.4 million or 61.9% of total services fees, in the quarter ended June 30, 1998, compared to $1.2 million, or 71.8% of total services fees, in the comparable period in 1997. Cost of services fees increased 94.1% to $4.5 million, or 65.4% of total services fees, in the six months ended June 30, 1998, compared to $2.3 million, or 70.9% of total services fees, in the comparable period in 1997. The increase in the cost of services fees was primarily attributable to an increase in the personnel and related costs to provide implementation, training and upgrade services. The decreases in cost of services fees as a percentage of revenue for the quarter and six months ended June 30, 1998, are primarily due to increased hourly rates charges combined with increased utilization of services personnel.

Cost of Maintenance Fees. Cost of maintenance fees increased 97.9% to $835,000, or 46.0% of total maintenance fees, in the quarter ended June 30, 1998, compared to $422,000, or 41.4% of total maintenance fees, in the comparable period in 1997. Cost of maintenance fees increased 78.4% to $1.5 million, or 44.4% of total maintenance fees, in the six months ended June 30, 1998, compared to $850,000, or 44.3% of total maintenance fees, in the comparable period in 1997. The increase in the cost of maintenance fees was primarily due to an increase in personnel and related costs required to provide support and maintenance. Cost of maintenance fees as a percentage of total maintenance fees decreased primarily due to more productive use of personnel to support the maintenance customer base.

RESEARCH AND DEVELOPMENT

Research and development expenses decreased 31.5% to $1.4 million, or 13.2% of total revenues, in the quarter ended June 30, 1998, from $2.0 million, or 36.9% of total revenues, in the comparable period in 1997. Research and development expenses decreased 33.9% to $2.5 million, or 13.5% of total revenues, in the six months ended June 30, 1998 from $3.8 million, or 38.6% of total revenues, in the comparable period in 1997. Research and development expenses decreased primarily due to decreased personnel and contractor fees related

to the effort required in 1997 to develop the Denver Release, which was substantially completed by September 1997. The Company has continued to reduce third-party consultant costs and its development personnel costs have reduced subsequent to the completion of the Denver Release. The decrease in research and development as a percentage of revenue for the periods ended June 30, 1998, compared to the periods ended June 30, 1997, is primarily due to the completion of the Denver Release, coupled with the economies of scale realized through the growth in the Company's revenue. The Company intends to continue to devote substantial resources toward research and development efforts.

SALES AND MARKETING

Sales and marketing expenses increased 22.9% to $2.9 million, or 27.7% of total revenues, in the quarter ended June 30, 1998, from $2.4 million, or 43.1% of total revenues, in the comparable period in 1997. Sales and marketing expenses increased 17.1% to $5.4 million, or 28.7% of total revenues, in the six months ended June 30, 1998, from $4.6 million, or 46.4% of total revenues, in the comparable period in 1997. The increase in expenses was primarily attributable to the costs associated with additional sales and marketing personnel and promotional activities. The decrease in sales and marketing as a percentage of revenues for the respective periods reflects the higher productivity of the Company's sales force.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased 70.4% to $1.2 million, or 11.4% of total revenues, in the quarter ended June 30, 1998, from $699,000 or 12.8% of total revenues, in the comparable period in 1997. General and administrative expenses increased 88.9% to $2.5 million, or 13.6% of total revenues, in the six months ended June 30, 1998 from $1.3 million, or 13.6% of total revenues, in the comparable period in 1997. The increase in general and administrative expenses was primarily attributable to increases in personnel and related costs. The Company believes that its general and administrative expenses will continue to increase in future periods to accommodate anticipated growth and expenses associated with its responsibilities as a public company.

DEPRECIATION AND AMORTIZATION

Depreciation of tangible equipment and amortization of intangible assets increased 48.7% to $525,000, or 5.0% of total revenues, in the quarter ended June 30, 1998, from $353,000, or 6.5% of total revenues, in the comparable period in 1997. Depreciation of tangible equipment and amortization of intangible assets increased 33.1% to $929,000, or 5.0% of total revenues, in the six months ended June 30, 1998, from $698,000, or 7.0% of total revenues, in the comparable period in 1997. The increases in depreciation and amortization expense are due to increases in capital expenditures resulting from the significant growth of the Company combined with increased goodwill resulting from the acquisition of the minority interest in the Services Subsidiary.

NON-CASH COMPENSATION

Non-cash compensation expense increased to $749,000, or 7.2% of total revenues, in the quarter ended June 30, 1998, from $13,000, or 0.2% of total revenues in the comparable period in 1997. Non-cash compensation expense increased to $803,000, or 4.3% of total revenues, in the six months ended June 30, 1998, from $23,000, or 0.2% of total revenues in the comparable period in 1997. In the second quarter of 1998, the Company accelerated the vesting of certain employee stock options issued in the first quarter of 1998, for approximately 283,000 shares of Common Stock, at an exercise price of between $3.67 per share and $8.00 per share. As a result of this accelerated vesting, the Company recognized a non-cash, non-recurring charge of approximately $705,000 during the quarter ended June 30, 1998, representing the previously remaining unamortized deferred compensation recorded on these options. The recognition of the non-cash, non-recurring charge provided for the increases in the non-cash compensation expense in the current year periods when compared to the same periods of the prior year.

INCOME TAXES

As a result of the operating losses incurred since the Company's inception, the Company has not recorded any provision or benefit for income taxes in the quarters and six month periods ended June 30, 1998 and 1997, respectively.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

REVENUES

Total Revenues. Total revenues increased 99.1% to $26.0 million in 1997 from $13.1 million in 1996. This increase was attributable to substantial increases in license fees, services fees and maintenance fees.

License Fees. License fees increased 110.2% to $13.5 million, or 52.0% of total revenues, in 1997 from $6.4 million, or 49.2% of total revenues, in 1996. These increases in license fees resulted primarily from an increase in the number of licenses sold, reflecting a continuing increase in the demand for the Company's existing and new applications, and to a lesser extent, to the increase in the average customer transaction size.

Services Fees. Services fees increased 95.4% to $7.8 million, or 30.0% of total revenues, in 1997 from $4.0 million, or 30.5% of total revenues, in 1996. The increase in services fees was primarily due to increased demand for professional services associated with an increase in the number of licenses sold.

Maintenance Fees. Maintenance fees increased 77.4% to $4.7 million, or 18.0% of total revenues in 1997 from $2.7 million or 20.3% of total revenues in 1996. The increase in maintenance fees was primarily due to the signing of license agreements with new customers and the renewal of maintenance with existing customers.

COST OF REVENUES

Total Cost of Revenues. Cost of revenues increased 82.4% to $8.5 million, or 32.7% of total revenues, in 1997 from $4.7 million, or 35.8% of total revenues, in 1996. The increase in the cost of revenues was primarily due to an increase in personnel and related expenses and increased royalty expenses. The decrease as a percentage of total revenues primarily reflects increased utilization of personnel.

Cost of License Fees. Cost of license fees increased to $1.2 million, or 8.9% of total license fees, in 1997 compared to $416,000, or 6.5% of total license fees, in 1996. The increase as a percentage of total license fees is primarily attributable to increases in royalty expense on new products introduced in 1997, components of which are licensed from third parties.

Cost of Services Fees. Cost of services fees increased 83.8% to $5.3 million, or 71.8% of total services fees, in 1997 compared to $2.9 million, or 72.9% of total services fees, in 1996. The increase in the cost of services fees was primarily attributable to an increase in the personnel and related costs to provide implementation, training and upgrade services. Cost of services fees as a percentage of total services fees decreased due to increased utilization of personnel.

Cost of Maintenance Fees. Cost of maintenance fees increased 46.1% to $2.0 million, or 42.0% of total maintenance fees, in 1997 compared to $1.4 million, or 51.0% of total maintenance fees, in 1996. The increase in the cost of maintenance fees was primarily due to an increase in personnel and related costs required to provide support and maintenance. Cost of maintenance fees as a percentage of total maintenance fees decreased primarily due to more productive use of personnel to support the maintenance customer base.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 24.8% to $6.7 million, or 25.7% of total revenues, in 1997 from $5.4 million, or 41.1% of total revenues, in 1996. Research and development expenses increased primarily due to increased personnel and contractor fees related to the effort required to develop the Denver Release, which was released in September 1997. During the first half of 1997, the Company began to reduce development personnel and third-party consultant costs as this project approached completion. The decrease in research and development as a percentage of revenue from 1996 compared to 1997 is primarily due to the completion of the Denver Release, coupled with the economies of scale realized through the growth in the Company's revenue. The Company intends to continue to devote substantial resources toward research and development efforts.

SALES AND MARKETING

Sales and marketing expenses increased 32.3% to $9.5 million in 1997 from $7.2 million in 1996. As a percentage of total revenues, sales and marketing expenses decreased to 36.6% in 1997 from 55.1% in 1996. The increase in expenses was primarily attributable to the costs associated with additional sales and marketing personnel and promotional activities. In January 1997, the

Company divided its U.S. and Canadian sales territory into east and west regions and hired a second vice president of sales. In addition, the Company hired two regional sales managers and several additional sales representatives in early 1997. During 1997, the Company also incurred substantial marketing expenditures to design and implement a promotional campaign, including marketing collateral, trade shows and seminar presentations intended to promote the Company's new market positioning. The decrease in sales and marketing as a percentage of revenues from 1996 compared to 1997 reflects the higher productivity of the Company's sales force.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased 33.5% to $3.2 million in 1997 from $2.4 million in 1996. As a percentage of total revenues, general and administrative expenses decreased to 12.3% in 1997 from 18.1% in 1996. The increase in general and administrative expenses was primarily attributable to increases in personnel and related costs. Also, the Company incurred increased rent and equipment expense associated with the relocation of its headquarters in August 1997. In 1997, the Company recorded $58,000 in compensation expense related to stock options granted. The Company believes that its general and administrative expenses will continue to increase in future periods to accommodate anticipated growth and expenses associated with its responsibilities as a public company.

DEPRECIATION AND AMORTIZATION

Depreciation of tangible equipment and amortization of intangible assets increased 25.0% to $1.4 million, or 5.4% of total revenues, in the year ending December 31, 1997, from $1.1 million or 8.6% of total revenues, in the comparable period in 1996. This increase in depreciation and amortization expense is due to increases in the purchases of intangible assets and increases in capital expenditures resulting from the significant growth of the Company.

INCOME TAXES

As a result of the operating losses incurred since the Company's inception, the Company has not recorded any provision or benefit for income taxes in 1997 and in 1996. See "Notes to Consolidated Financial Statements."

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES

Total Revenues. Total revenues increased 59.4% to $13.1 million in 1996 from $8.2 million in 1995. This increase was attributable to substantial increases in license fees, services fees and maintenance fees.

License Fees. License fees increased 22.8% to approximately $6.4 million in 1996, from $5.2 million in 1995. The increase reflected an increase in the number of product licenses sold during the period. As a percentage of total revenues, license fees decreased to 49.2% in 1996 from 63.9% in 1995. This decrease was primarily attributable to the deferral of revenues on contracts signed in 1996 related to the Denver Release to 1997.

Services Fees. Services fees increased 129.4% to $4.0 million, or 30.5% of total revenues, in 1996 from $1.7 million, or 21.2% of total revenues, in 1995. These increases were attributable to increasing demand for services associated with the Company's increasing customer base coupled with the growth of the Services Subsidiary that was created in March of 1995.

Maintenance Fees. Maintenance fees increased 116.8% to $2.7 million, or 20.3% of total revenues, in 1996 from $1.2 million, or 14.9% of total revenues, in 1995. These increases resulted primarily from the signing of license agreements with new customers and the renewal of maintenance with existing customers.

COST OF REVENUES

Total Cost of Revenues. Cost of revenues increased 97.3% to $4.7 million, or 35.8% of total revenues, in 1996 from $2.4 million, or 28.9% of total revenues, in 1995. These increases were primarily due to an increase in

personnel and related expenses.

Cost of License Fees. Cost of license fees increased 43.0% to $416,000 in 1996 from $291,000 in 1995. The increase was primarily attributable to an increase in royalty expense. As a percentage of total license fees, cost of license fees increased to 6.5% in 1996 from 5.6% in 1995.

Cost of Services Fees. Cost of services fees increased 104.4% to $2.9 million, or 72.9% of total services fees, in 1996 from $1.4 million, or 81.8% of total services fees, in 1995. The increase in absolute dollars was primarily attributable to an increase in personnel and related costs required to provide implementation, training and upgrade services. The cost of services fees as a percentage of total services fees decreased due to increased utilization of personnel coupled with the Company's Services Subsidiary being operational for all of 1996.

Cost of Maintenance Fees. Cost of maintenance fees increased 106.1% to $1.4 million, or 51.0% of total maintenance fees, in 1996 from $655,000, or 53.6% of total maintenance fees, for 1995. The increase in absolute dollars was primarily attributable to an increase in personnel and related costs to provide support and maintenance services to the Company's growing customer base. Cost of maintenance fees as a percentage of total maintenance fees decreased primarily due to more productive use of personnel supporting the Company's maintenance customer base.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 38.1% to $5.4 million in 1996 from $3.9 million in 1995. This increase reflects increased personnel and related expenses and third-party contractor fees as the Company increased product development personnel to develop new products, including the Denver Release and the prior releases of the Company's financial applications. As a percentage of total revenues, research and development expenses decreased to 44.1% in 1996 from 47.4% in 1995. This decrease was attributable to the economies of scale realized through substantial increases in total revenues.

SALES AND MARKETING

Sales and marketing expenses increased by 8.4% to $7.2 million in 1996 from $6.6 million in 1995. Sales and marketing expenses increased primarily as a result of increased sales and marketing personnel and related costs. As a percentage of total revenues, sales and marketing expenses decreased to 55.1% in 1996 from 81.0% in 1995. This decrease primarily reflects the higher productivity of the Company's sales force.

GENERAL AND ADMINISTRATIVE

General and administrative expenses decreased 19.0% to $2.4 million, or 18.1% of total revenues, in 1996 from $2.9 million, or 35.7% of total revenues, in 1995. The decrease reflects lower general and administrative costs associated with the closing of the United Kingdom office and allocations of costs to the Services Subsidiary for administrative services performed on its behalf.

DEPRECIATION AND AMORTIZATION

Depreciation of tangible equipment and amortization of intangible assets increased 204.9% to $1.1 million or 8.6% of total revenues, in the year ending December 31, 1996, from $369,000 or 4.5% of total revenues, in the comparable period in 1996. This increase in depreciation and amortization expense is primarily due to the purchase of a majority interest in the Services Subsidiary.

INCOME TAXES

As a result of the operating losses incurred since the Company's inception, the Company has not recorded any provision or benefit for income taxes in 1996 or 1995.

LIQUIDITY AND CAPITAL RESOURCES

On May 26, 1998, the Company completed its initial public offering of 2.5

million shares of its Common Stock at an offering price of $10.00 per share. The proceeds, net of expenses, from this public offering of approximately $22.0 million were placed in investment grade cash equivalents. The Company's working capital position (deficit) was $20.1 million and $(453,000) at June 30, 1998 and December 31, 1997, respectively. Management believes that current cash balances and cash flows from operations 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 its operating and investing activities may use significant cash.

Cash used in operating activities was approximately $507,000 and $3.7 million during the six months ended June 30, 1998 and 1997 respectively. Cash used by operations during the six months ended June 30, 1998, was primarily attributable to an increase in accounts receivable and a decrease in deferred revenue, partially offset by increases in accounts payable and accrued liabilities. Cash used by operations during the six months ended June 30, 1997, was primarily attributable to an increase in accounts receivable, partially offset by increases in deferred revenues and accounts payable and accrued liabilities.

Cash used in investing activities was approximately $1.6 million and $247,000 during the six months ended June 30, 1998 and 1997, respectively. The cash used in investing activities during the six months ended June 30, 1998, was primarily attributable to purchases of computer equipment and software and the purchase of the minority interest in the Services Subsidiary. The cash used in investing activities during the six months ended June 30, 1997, was primarily attributable to purchases of computer equipment and software.

Cash provided by financing activities was approximately $20.9 million and $2.6 million during the six months ended June 30, 1998 and 1997, respectively. The cash provided by financing activities during the six months ended June 30, 1998, was primarily attributable to the Company's initial public offering effective May 26, 1998, for net proceeds of approximately $22.0 million. The cash provided by financing activities during the six months ended June 30, 1997, was primarily attributable to proceeds from notes payable and short term borrowings of approximately $12.4 million, offset by payments on notes payable and short term borrowings of approximately $9.7 million.

In March 1997, the Company entered into a loan agreement and a master leasing agreement for an equipment line of credit in the amount of $1.0 million (the "Equipment Line") with a leasing company. The Equipment Line bears interest at rates negotiated with each loan or lease schedule (generally 22.0% to 22.5%) and is collateralized by all of the equipment purchased with the proceeds thereof. As of June 30, 1998, the principal balance on the Equipment Line was $565,000.

The Company has a revolving working capital line of credit and equipment facility with Silicon Valley Bank. Borrowings outstanding under the line are limited to the lesser of $3.0 million or 80% of accounts receivable. Interest on the revolving credit facility is at prime rate and on the equipment facility at prime plus 0.5% and is collateralized by all of the assets of the Company. The line of credit and equipment term facility with Silicon Valley Bank will expire on April 29, 1999. As of June 30, 1998, the Company had no outstanding balance and had $3.5 million available for future borrowings under this agreement.

The Company had available NOLs of approximately $25.6 million as of June 30, 1998 to reduce future income tax liabilities. These NOLs expire from 2007 through 2012 and are subject to review and possible adjustment by the appropriate taxing authorities. Pursuant to the Tax Reform Act of 1986, the utilization of NOLs for tax purposes may be subject to an annual limitation if a cumulative change of ownership of more than 50%

occurs over a three-year period. As a result of this limitation, the Company will be limited to the use of its NOLs in any given year. The Company had net deferred tax assets of approximately $9.8 million at June 30, 1998 comprised primarily of "NOLs." The Company has fully reserved for these deferred tax assets.

IMPACT OF YEAR 2000

The Company has designed and tested the most current versions of its products to be Year 2000 compliant. There can be no assurances that the Company's current products do not contain undetected errors or defects associated with Year 2000 date functions that may result in material costs to the Company. Some commentators have stated that a significant amount of litigation will arise out of Year 2000 compliance issues, and the Company is aware of a growing number of lawsuits against other software vendors. Because of the unprecedented nature of such litigation, it is uncertain whether or to what extent the Company may be affected by it.

The Company is in the process of determining the extent to which third-party licensed software distributed by the Company is Year 2000 compliant, as well as the impact of any non-compliance on the Company and its customers. Additionally, in the event relational database management systems used with the Company's software are not Year 2000 compliant, there can be no assurance that Company's customers will be able to continue to use the Company's products. The Company does not currently believe that the effects of any Year 2000 non-compliance in the Company's installed base of software will result in a material adverse impact on the Company's business or financial condition. However, the Company's investigation with respect to third-party software is in its preliminary stages, and no assurance can be given that the Company will not be exposed to potential claims resulting from system problems associated with the century change or that such claims would not have a material adverse effect on the Company's business, financial condition or results of operations.

With respect to its internal systems, the Company is taking steps to prepare its systems for the Year 2000 date change. The Company expects to substantially complete inventory efforts at the end of calendar year 1998, with remediation and testing to continue through 1999. Although the Company does not believe that it will incur any material costs or experience material disruptions in its business associated with preparing its internal systems for the Year 2000, there can be no assurances that the Company will not experience unanticipated negative consequences and/or material costs caused by undetected errors or defects in the technology used in its internal systems. The Company is currently unable to estimate the most reasonably likely worst case effects of the year 2000 and does not currently have a contingency plan in place for any such unanticipated negative effects. The Company is in the process of preparing a contingency plan which is expected to be in effect by March 31, 1999.

The Company is currently unable to estimate whether it is exposed to significant risk of being adversely affected by Year 2000 noncompliance by third parties. During the third quarter of 1998, the Company intends to begin contacting third parties with which it has material relationships, including its material customers, to attempt to determine their preparedness with respect to Year 2000 issues and to analyze the risks to the Company in the event any such third parties experience significant business interruptions as a result of Year 2000 noncompliance. The Company expects to complete this review and analysis and to determine the need for contingency planning in this regard by March 31, 1999.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to display, with the same prominence as other financial statements, the components of other comprehensive income. SFAS No. 130 requires that an enterprise classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. SFAS No. 130 is effective for the Company's fiscal year ending December 31, 1998 including interim periods. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company's adoption of SFAS No. 130 did not require significant revisions of prior disclosures.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. Early adoption is encouraged. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and

transactions involving hedge accounting. The Company does not anticipate this statement will have an impact on its financial statements.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires that an enterprise disclose certain information about operating segments. SFAS No. 131 is effective for financial statements for the Company's fiscal year ending December 31, 1998. The Company will evaluate the need for such disclosures at that time.

The American Institute of Certified Public Accountants has issued Statement of Position 97-2, "Software Revenue Recognition." SOP 97-2 supersedes SOP 91-1 and is effective for the Company for transactions entered into after December 31, 1997. The Company adopted SOP 97-2 in the first quarter of 1998. The adoption of SOP 97-2 did not have a significant impact on the Company's consolidated financial statements.

BUSINESS OF THE COMPANY

GENERAL

The Company develops, markets and supports client/server financial and human resource software applications that reduce the total cost of ownership by minimizing the time, costs and risks associated with implementing, changing and upgrading applications. Almost all of the Company's products are sold as application suites. On occasion, the Company will sell individual applications to its existing customers.

The Company's Clarus(TM) line of products are based on a flexible, open architecture called Active Architecture(R) which allows for seamless, rapid changes and upgrades without modifying the source code. The Company's software provides organizations with the broad functionality of custom-designed applications without the high total cost of ownership traditionally associated with such applications. By providing broad functionality, a flexible open architecture, and minimized implementation and modification time, the Company addresses the needs of a wide range of organizations while giving end users more control of their work environment.

The Company licenses its products and services primarily through a direct sales force in North America. At July 31, 1998, the Company had more than 225 customers including leading organizations such as Amtrak, Blue Cross and Blue Shield of Alabama, Chartwell Re Holdings Corporation, First Data Corporation, Land's End, Inc., T. Rowe Price Associates, Inc., Shaw Industries, Inc., and Toronto-Dominion Bank.

The Company's software license revenues accounted for 45.0%, 52.0%, 49.2% and 63.9% of gross revenues for the six months ended June 30, 1998, and for 1997, 1996 and 1995, respectively. Services revenues accounted for 36.8%, 30.0%, 30.5% and 21.2% of gross revenues for the quarter ended June 30 1998, and for 1997, 1996 and 1995, respectively. Maintenance revenues accounted for 18.2%, 18.0%, 20.3% and 14.9% of gross revenues for the quarter ended June 30, 1998, and for 1997, 1996 and 1995, respectively.

On May 26, 1998, the Company completed an initial public offering of its Common Stock in which it sold 2.5 million shares and which resulted in net proceeds to the Company of approximately $22.0 million.

INDUSTRY BACKGROUND

Increasing global competition has driven organizations of all sizes to improve operating efficiencies, reduce costs, speed time to market and improve customer satisfaction. To achieve these objectives, organizations have utilized IT systems to automate repetitive processes, to facilitate communications throughout various departments and to process increasingly sophisticated and detailed information. Organizations therefore face the challenge of providing this critical information to a broad group of end users to give them better control of their work environment and to increase productivity and performance.

Recent advances in computing and communications, including the wide-spread adoption of distributed computing, and the proliferation of third-party enterprise software applications, have enabled organizations to provide

relevant information directly to the desktop. Organizations have deployed enterprise client/server applications addressing the full range of functions across the enterprise, including "front office" related functions such as sales force automation, call center management and customer support and help desk activities, and "back office" operations such as distribution, manufacturing, production and supply chain planning and execution activities. At the core of the enterprise software system are the organization's financial applications that serve as a critical point of integration for all enterprise applications and enable users to improve core business processes, monitor, analyze and report business results, and make more informed decisions faster. According to International Data Corporation, the market for enterprise-level accounting, human resource and payroll client/server applications exceeded $3.0 billion in 1996, and is projected to grow at a compound annual growth rate of 30% through the year 2001 to over $12.0 billion.

Traditionally, organizations have had two alternatives when deploying enterprise financial and human resource applications: either a highly complex custom-designed application to meet the organization's specific requirements, typically developed in a "legacy" environment; or an off-the-shelf application designed to be

implemented more rapidly in a distributed computing environment, at a perceived lower cost of ownership, although often lacking the depth of functionality of the custom-designed application.

While custom-designed applications have provided the desired degree of functionality, their size and complexity generally require very lengthy design, development and implementation efforts. Maintaining, updating and upgrading these applications requires substantial internal resources and generally requires the use of outside consultants. In addition, these applications have limited flexibility to support diverse and changing operations or to respond effectively to evolving business demands and technologies. The high total cost of ownership and complexity associated with developing and maintaining custom-designed applications have limited their utilization to organizations with significant resources.

In recent years, organizations have increasingly deployed off-the-shelf client/server financial and human resource applications to leverage their investment in client/server technologies and provide end users with information that gives them greater control over their work environment. However, traditional off-the-shelf applications often require organizations to re-engineer established business practices to accommodate application constraints or to customize the applications with labor-intensive reprogramming to fit their needs. These requirements significantly challenge resource-constrained organizations and fail to provide the desired lower total cost of ownership.

Limitations of both custom-designed and off-the-shelf applications result in higher total cost of ownership to the organization. The largest components of such cost are the necessary labor and programming resources associated with implementation and maintenance. According to the Gartner Group, labor-related services, including implementation and post-implementation services, comprise approximately 71% of the five-year total cost of ownership for client/server applications, with the acquisition cost of software compromising only 17% of the total cost of ownership and hardware and networking costs comprising the balance.

Today, organizations acquiring or replacing their financial applications seek broader functionality, better integration with existing systems and applications, greater flexibility to change and upgrade, and a lower total cost of ownership. Key to meeting these expectations are solutions that are flexible, easy to implement, change and upgrade, provide information on demand and, most importantly, put users in control.

THE CLARUS SOLUTION

The Company offers a highly integrated suite of applications that matches the functionality of custom-designed applications without the high total cost of ownership traditionally associated with such applications. By providing broad functionality, a flexible open architecture, minimized implementation, modification and ongoing support time, and enhanced user control, the Company addresses the needs of a broad range of organizations. The Company's

applications offer the following key benefits:

Broad Functionality. The Company's highly integrated suite of financial applications covers the full range of financial and accounting functions, including general accounting, expense accounting, revenue accounting and human resources. The Company's applications are particularly suited to address the financial, accounting and reporting needs of non-industrial firms. Through its Graphical Architects modules, the Company provides additional capabilities, including enhanced interaction with external software systems, user personalization, job scheduling, analysis capabilities and Internet connectivity.

Flexible, Open Architecture. The Company's applications are based on a flexible, open architecture to fit with the components of an organization's existing IT infrastructure. These applications work with the popular Microsoft, Oracle and Sybase databases and run on any operating system and hardware platforms compatible with these databases, enabling customers to easily migrate to alternative computing technologies. The flexibility of the Company's applications, together with the ability to modify the functionality without changing the source code, results in seamless, rapid changes or upgrades. The openness of the architecture allows easy integration with third-party technologies, including Microsoft BackOffice and Arbor Essbase, as well as products from third-party financial reporting software companies.

Minimized Implementation, Modification and Ongoing Support Time. The implementation of the Company's software can typically be achieved in less than six months, depending on the number of modules being implemented, and modifications can be made directly by the end user at the time of, or subsequent to, implementation. In addition, the time, costs and risks associated with changing and upgrading applications are minimized because implementation of the Company's applications is done without any modification to the underlying source code. The Company believes that this results in implementation and post-implementation services costs well below the industry average.

Enhanced End User Control. The Company's applications are designed to put users in control by: (i) providing the flexibility to quickly set up applications and personalize user interfaces; (ii) providing end users the ability to directly tailor and change applications during or subsequent to implementation; (iii) allowing users to upgrade in a minimal amount of time without software development tools or significant IT personnel involvement; (iv) allowing integration with other native or external applications in the users' work environment; and (v) delivering information on demand and in the form desired.

STRATEGY

The Company's objective is to become the leading provider of financial and human resource applications to non-industrial organizations. The key elements of the Company's strategy are as follows:

Extend Technology Leadership. The Company believes that extending technology leadership, rapidly creating additional features and incorporating new technologies are important competitive advantages in its marketplace. The Company believes its Active Architecture technology is a key differentiation that provides a significant advantage over competing products. In addition, the Company believes it was one of the first software developers to utilize object wrappers in financial applications to facilitate tailoring and integration with other applications. The Company intends to continue to identify and develop new and emerging technologies for its applications.

Leverage Expertise in Financial Applications. The Company intends to leverage its expertise in financial applications to design, develop and offer other financial and financially-related applications focused on meeting the needs of non-industrial customers. For example, the Company recently introduced several new applications, including Purchasing Control, Personnel, and Payroll and Benefits.

Capitalize on Middle Market Opportunities. The Company focuses its sales and marketing efforts on value buyers in mid-sized non-industrial organizations, including divisions of larger companies, which represent the fastest growing segment of the financial and human resource applications market. In its

targeted industries, financial and human resource applications typically represent the organization's most critical systems. The Company believes that its flexible user-controlled applications are well suited for rapidly growing mid-sized organizations and value buyers that demand highly functional and scalable financial and human resource applications without the high total cost of ownership traditionally associated with such applications.

Leverage Installed Customer Base. The Company believes that its installed customer base represents a significant potential market for future sales of its products. The Company continually uses its customer relationships: (i) to sell new products and cross-sell products to multiple offices, divisions and departments of a customer's organization; (ii) as a reference to gain new customers; and (iii) to focus its efforts on selected vertical markets as a means of expanding its market share.

Expand Sales and Marketing Channels. The Company intends to expand its direct sales force by hiring additional experienced sales personnel. The Company also intends to establish indirect distribution channels and relationships with product vendors and consulting companies, as well as increase its international market penetration by establishing relationships with strategic partners with an international presence. The Company believes that expanding its marketing relationships will provide increased access to various geographic markets and potential customers.

Continue to Provide High Quality Customer Service. By providing superior implementation, support and training services directly to its customers, rather than through third-party resellers and system integrators, the Company can achieve a high level of customer satisfaction, strong customer references and long-term relationships. Direct customer service also allows for immediate feedback which facilitates software improvements. The Company intends to continue to expand its customer service and maintenance staff and to make additional investments in its support infrastructure.

TECHNOLOGY

The Company's applications are based on an extensible, object-oriented, proprietary architecture called "Active Architecture." The Active Architecture technology is designed to achieve the following benefits: (i) flexible, high-end functionality; (ii) the ability to modify the functionality without changing the source code; (iii) the ability to easily integrate applications into a customer's IT infrastructure; (iv) the ability to rapidly implement changes and upgrade applications; (v) reduced total cost of ownership; and (vi) placing users in control. Active Architecture is comprised of three elements: the Core Components, the Graphical Architects modules and the System Manager module.

Core Components. The core functionality for the Company's applications is defined through a set of Core Components, the building blocks of the financial and human resource applications. The Core Components perform financial and accounting functions in the context of legal and regulatory requirements and generally accepted accounting principles. Examples of these Core Components include general ledger posting, accounts payable vouching, account structure management and payroll processing. The Company's fundamental premise is that users should not need to reprogram the Core Components. Contained within the overall architectural framework is the ability to modify and seamlessly upgrade the Company's applications while continuing to maintain the process and data security, integrity and reliability of the Core Components. End users can accommodate their business-specific requirements and technology changes, such as integrating external software systems, user personalization, job scheduling, analysis capabilities, Internet connectivity and application management through the Graphical Architect modules which require no source code programming.

Graphical Architects. The Company has developed Graphical Architects modules that allow organizations to quickly and easily adapt to business-specific requirements and changes in technology. The Company provides the Business Controls/Graphical Architect as a standard component with all of its applications and licenses other Graphical Architects modules with additional functionality. Through Business Controls an organization can centrally administer its business rules and policies and apply them across all financial applications. This central control allows for consistency of management policies and reduced set-up time in each of the application areas. Business

Controls also allows organizations to define and manage their chart of accounts, analysis codes, default account segments and overrides, accounting periods, inter-company transactions, tax management, accounting calendar, cross-validation rules and multiple currencies.

System Manager. System Manager supports the Active Architecture technology by integrating, synchronizing and managing all components of the application. System Manager offers a visual point-and-click interface and is designed to reduce systems and database administration efforts and the time required to update external applications, as well as upgrades to the Company's application itself. Through System Manager, the user orchestrates software installation, database initialization, and software and database upgrades. These tasks are simplified by System Manager's automated process which does not require scripts or other programming. In addition, System Manager provides a single point of control for security across all of the Company's applications. Security information is automatically maintained and updated during the upgrades.

The Company's applications incorporate a multi-tiered, client/server architecture that supports Microsoft Windows 95 and/or NT clients, including Netscape and Microsoft Internet Explorer, and most popular UNIX (AIX, HP-UX, Solaris, VMS, etc.) and Windows NT servers running Microsoft SQL Server, Oracle, and Sybase database management systems over a variety of network topologies. For the year ended December 31, 1997, the Company derived 79.2% and 20.8%, respectively, of its license fees from sales of its products to customers who

use Windows NT based-servers and UNIX servers. Integration of the Company's applications with these databases is achieved with a single version of the source code, allowing users to replace or upgrade their hardware and database systems with minimal impact to the customer's application. The Company currently offers both 16-bit and 32-bit versions of its financial applications and 16-bit versions of its human resource applications for the Windows 3.1, Windows 95, and Windows NT platforms. The various technologies upon which the Active Architecture has been built include Microsoft Visual C++ and the Microsoft Foundation Classes, ActiveX, OLE/COM and Centura.

Clarus Corporate Service Applications. The Company recently introduced its Clarus Corporate Service Applications , including Clarus HRPoint, Clarus Budget, Clarus OLAP and Clarus E Procurement.

PRODUCTS

The Company's product family includes a full suite of financial, human resource and growing suite of corporate service applications designed to meet the needs of a broad range of organizations.

APPLICATIONS

General Ledger, the Company's flagship application, delivers a comprehensive solution including ledger accounting, consolidation and allocations, multi-level segment accounts, automatic entry balancing, multiple financial calendars within a single organization, recurring entries, average daily balances and budgeting and profit sharing.

Accounts Payable controls vendor information, invoicing procedures and payment activities, while providing for an unlimited number of bank accounts, processing foreign currency gains and losses, and automatically reconciling and balancing inter-company accounts and multiple payment methods.

Purchasing Control streamlines purchasing processes with end user requisitioning, quick access to contracts and price lists, automation of receiving and matching processes and vendor management.

Accounts Receivable streamlines payment applications, provides management and reporting of receivables activities, manages customer information and inter-relationships, tracks the collection process, processes foreign currency gains and losses and provides historical information.

Revenue Accounting combines invoice entry and billing applications, provides user-defined rules for revenue recognition, automatically creates multi-line tax distributions for multiple taxing authorities, calculates shipping charges

for specific lines of an invoice, supports a multi-catalog pricing structure as well as user-defined pricing contracts and tracks customer deposits and down payments.

Fixed Assets tracks and maintains asset investments and facilitates compliance with tax and accounting regulations through user-defined depreciation scheduling, which can be segmented by organization, asset or book.

Personnel manages employment, compensation, career/succession planning, position control, health and safety, applicant management, recruiting, training, government compliance and business event notification.

Benefits manages benefit and accrual planning and enables control of auto enrollment, flexible benefits, flexible spending accounts, cafeteria, defined contributions, beneficiaries, eligibility, COBRA administration and leave accrual processing.

Payroll manages control of payment and tax processing functions, streamlines payroll processing, manages on-demand checks, direct deposit and earnings and deductions.

GRAPHICAL ARCHITECTS

The Company licenses a series of modules, its Graphical Architects, that are designed to extend, enhance, integrate and change the look-and-feel of the Company's core applications. Through a visual point-and-click

interface, the Graphical Architects modules allow users to personalize and configure the Company's applications without any source code programming. In addition to Business Controls, which is a standard component of all applications, Graphical Architects modules include the following:

Data Exchange/Graphical Architect defines sources of data for import and export purposes through a metadata interface for logical mapping of data between the Company's applications and the customer's other internal systems which simplifies implementation and streamlines changes to external data sources.

Workload/Graphical Architect enables users to manage and schedule tasks effectively with job scheduling, resource allocation, process and report distribution, and e-mail notification. Users can schedule tasks to run on separate application servers at the most efficient processing time.

Solution/Graphical Architect allows users to personalize the look-and-feel and the functions of their applications and facilitates the integration of the Company's applications with other applications without changing the source code.

Analysis/Graphical Architect provides a suite of applications that address an organization's need for information on demand. Analysis/Graphical Architect provides users with the following functions and benefits:

<TABLE>
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FUNCTION	BENEFIT
<S>	<C>
Quick Find	Online access with extensive selection criteria to quickly locate information.
Quick Reports	Report printing of online query results.
Quick Graphs	Graphical representations of online query results.
Standard Reports	Templates to simplify users' report definitions based upon the organization's requirements.
Financial Statement Generator	Flexible financial reporting system enabling sophisticated financial statements without any programming.
Drill Down Analysis	Intra-application, inter-application, and open drill down into all supporting detail and information sources, including information originated in third-party applications.
Financial Statement	Integration of Financial Statement Generator with

Accelerator	Arbor Software's Essbase for high performance reporting.
FRx for Windows	Flexible distributed management reporting solution, utilizing FRx from FRx Software Corporation, which delivers full drill down analysis without being connected to the network.
Clarus Library	Centralized report repository to store reports and make them available to other users in the organization eliminating redundancy and improving resource efficiency.

</TABLE>

Workflow/Graphical Architect allows users to define procedures and policies (events) that trigger responses from the system. Workflow/Graphical Architect allows users to extend the applications to conform to an organization's business processes and policies, such as an accounting application automatically generating approval requests for purchases over a certain dollar amount.

Internet/Graphical Architect allows organizations to quickly deploy their entire suite of financial and human resource applications to the World Wide Web and tailor it specifically to the unique needs of each Web user. Internet/Graphical Architect provides native Internet implementation of information access-oriented applications such as invoice or payment status, drill down inquiries, report viewing, and account balances.

SALES AND MARKETING

The Company sells its software and services primarily through its direct sales force. As of July 31, 1998, the Company's direct sales force consisted of 37 sales professionals and 12 marketing personnel, located in 11 domestic offices and one office located in Canada. The Company expects to increasingly develop indirect

channels in order to enhance its market penetration and implementation capabilities. International revenues were approximately 3.0% of total revenues for the year ended December 31, 1997, and the Company expects that revenues from international customers will account for a growing portion of the Company's total revenues. The sales cycle for the Company's software averages between four to seven months.

The Company's marketing strategy is to position the Company as the leading provider of applications to non-industrial organizations by providing applications with a high level of functionality and flexibility with minimal implementation time. In support of this strategy, the Company engages in a full range of marketing programs focused on creating awareness and generating qualified leads. These programs include developing and maintaining business partners and participating in joint marketing programs, such as participating in the Microsoft Solution Provider Program, as well as public relations, telemarketing, developing databases of targeted customers, and conducting advertising and direct mail campaigns. In addition, the Company participates in trade shows and seminars and maintains a World Wide Web home page which is integrated with the Company's sales, marketing, recruiting and fulfillment operations.

IMPLEMENTATION SERVICES

The Company provides dedicated implementation services for the Company's customers. The Company believes that the provision of superior implementation services in conjunction with ease of implementation is integral to its success in achieving a high level of customer satisfaction. By providing these implementation services, the Company is able to minimize implementation time by helping customers to implement an application module in an average of four months, generally at a cost equal to or below the cost of the licensed software. As of July 31, 1998, the Company employed 89 personnel providing implementation services, which are typically offered to the Company's customers on a time and materials basis.

The Company is also developing marketing relationships with companies sharing a commitment to client/server implementations that deliver high functionality and flexibility, while minimizing the time required to implement, change and upgrade them.

CUSTOMER SERVICE AND MAINTENANCE

The Company believes that superior customer service and support, including product support and maintenance, training and consulting services, are critical to achieve and maintain customer satisfaction. The Company's customer service and support functions include the Company's call center, distribution services, production support and account management, all of which are integrated in a single group. The Company's customer service organization provides a single point of contact for customers from execution of the license agreements through post-implementation. Each of the Company's customers has entered into an annual maintenance contract for the first year of use, renewable on an annual basis. As of July 31, 1998, the Company employed 53 technical post-sales support personnel providing software maintenance and support, and hotline access. In addition to telephone support, the Company also offers support by electronic mail, electronic bulletin board facsimile and over the Internet. The Company intends to continue to expand its customer service and maintenance staff and to make additional investments in its support infrastructure.

RESEARCH AND DEVELOPMENT

The Company's success is in part dependent on its ability to continue to meet customer and market requirements with respect to functionality, performance, technology and reliability. The Company invests, and intends to continue to invest, substantially in its research and development efforts. As of July 31, 1998, the Company's research and development operation included 56 employees, located in Atlanta. In addition, the Company has from time-to-time supplemented, and plans to continue to supplement, its core resource pool through outside contractors and consultants when necessary.

The Company's research effort is currently focused on identifying new and emerging technologies and engineering processes, as well as possible technology alliances. The primary area of focus within the research effort involves distributed component computing and associated technologies and architectures, especially with respect to both Internet and intranet transaction processing.

The Company's development effort is focused primarily on the product delivery cycle and its associated technologies and software life-cycle processes. The development operation consists of various functional and technological teams who are responsible for bringing the various products that the Company delivers to market. These teams consist of software engineering, documentation, and quality assurance personnel. The specific responsibilities of the development operation include: (i) enhancing the functionality and performance within the currently available product line; (ii) developing new products and/or integrating with strategic third-party products to strengthen the product line; (iii) porting the product line to remain current and compatible with new operating systems, databases, and tools; (iv) enhancing the adaptability and extensibility of the product line through the release of new and enhanced Graphical Architects; and (v) managing and continuously improving the overall software development process. The Company continually utilizes customer feedback in the product design process in order to meet changing business requirements and is committed to developing technologies which provide highly functional, integrated solutions in a rapid and efficient manner.

Research and development expenditures were approximately $3.9 million, $5.4 million, $6.7 million and $2.5 million for 1995, 1996, 1997 and the six months ended June 30, 1998, respectively. See "Company Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations."

COMPETITION

The market for the Company's products is highly competitive and subject to rapid technological change. Although the Company has experienced limited competition to date from products with comparable capabilities, the Company expects competition to increase in the future. The Company currently competes principally based on ease of use and reduced time of implementation, which are a result of: (i) the breadth of its products' features; (ii) the automated, scalable and cost-effective nature of its products; and (iii) the Company's

knowledge, expertise and service ability gained from close interaction with customers. While the Company believes that it currently competes favorably overall with respect to these factors, there can be no assurance that the Company will be able to continue to do so.

The Company competes directly or indirectly with a number of competitors that have significantly greater financial, selling, marketing, technical and other resources than the Company, including the following companies: PeopleSoft, Lawson and Oracle. In 1997, J.D. Edwards & Company introduced financial applications for use on Windows NT or Unix servers, and additional competitors may enter this market, thereby further intensifying competition. These competitors may be able to devote greater resources to the development, promotion, sale and support of their products than the Company. Moreover, these companies may introduce additional products that are competitive with or better than those of the Company or may enter into strategic relationships to offer better products than those currently offered by the Company. There can be no assurance that the Company's products would effectively compete with such new products.

To remain competitive, the Company must continue to invest in research and development, selling and marketing, and customer service and support. In addition, as the Company enters new markets and utilizes different distribution channels, the technical requirements and levels and bases of competition may be different than those experienced in the Company's current market. There can be no assurance that the Company will be able to successfully compete against either current or potential competitors in the future. See "Risk Factors--Competition."

PROPRIETARY RIGHTS AND LICENSING

The Company's success depends significantly on its internally developed intellectual property and intellectual property licensed from others. The Company relies primarily on a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures and license arrangements to establish and protect its proprietary rights in its software products.

The Company has no patents, and existing trade secret and copyright laws afford only limited protection of the Company's proprietary rights. The Company has registered or applied for registration for certain copyrights and trademarks, and will continue to evaluate the registration of additional copyrights and trademarks as appropriate. The Company believes that, because of the rapid pace of technological change in the software industry, the intellectual property protection of its products is a less significant factor in the Company's success than the knowledge, abilities and experience of the Company's employees, the frequency of its product enhancements, the effectiveness of its marketing activities and the timeliness and quality of its support services. See "Risk Factors--Proprietary Rights and Licensing."

The Company enters into license agreements with each of its customers. The Company's license agreements provide for the customer's non-exclusive right to use the object code version of the Company's products. The Company's license agreements prohibit the customer from disclosing to third parties or reverse engineering the Company's products and disclosing the Company's other confidential information. In certain rare circumstances, typically for the earliest releases of the Company's products, the Company has granted its customers a source code license, solely for the customer's internal use.

The Company has in the past licensed and may in the future license on a non-exclusive basis third-party software from third parties for use and distribution with the Company's financial and human resource applications. Additionally, the Company's human resource applications are based on software acquired under a non-exclusive object code and source code license from a third party. The Company has entered into agreements with its third party licensors with customary warranty, software maintenance and infringement indemnification terms.

OEM AGREEMENT WITH ELEKOM

The Company has entered into an OEM Software License Agreement (the "OEM Agreement") with ELEKOM that grants the Company a license to reproduce, use, market, distribute and sublicense the object code version of ELEKOM Procurement under the Company's own product names and trademarks, either as a

stand-alone product or as integrated with the Company's products. The license is exclusive with respect to the Company's existing customers and certain named competitors of the Company, subject to the payment of minimum royalty amounts. The OEM Agreement provides for the payment by the Company to ELEKOM of license fees equal to a specified percentage of ELEKOM's standard list price for ELEKOM Procurement, and is subject to quarterly minimums ranging from $250,000 for second quarter 1998 to $650,000 for fourth quarter 1999.

EMPLOYEES

As of July 31, 1998, the Company had a total of 275 employees, all except seven of whom were based in the United States. Of the total, 89 were employed in implementation services, 56 were in research and development, 37 were in sales, 53 were in customer support, 28 were in finance, administration and operations, and 12 were in marketing. The Company believes its future performance depends in significant part upon the continued service of its key engineering, technical support and sales personnel and on its ability to attract or retain qualified employees. Competition for such personnel is intense, and there can be no assurance that the Company will be successful in attracting or retaining such personnel in the future. None of the Company's employees are represented by a labor union or are subject to a collective bargaining agreement. The Company has not experienced any work stoppages and considers its relations with its employees to be good. See "Risk Factors--Management of Growth;" "--Dependence Upon Key Personnel; Ability to Hire and Retain Personnel."

FACILITIES

The Company's corporate office and principal facility is located in Suwanee, Georgia, where the Company leases approximately 41,000 square feet of space. The lease commenced on June 15, 1997 and expires on July 15, 2004. The lease requires annual payments of $386,000 for the first 12-month period with an increase of 3% in each 12-month period after the first year. This facility accommodates research and development, sales, finance, administration and operations, customer support and marketing. The Company also leases 11 facilities, primarily for regional sales offices, elsewhere in the United States and Canada, providing for aggregate annual lease payments of approximately $218,000. Expiration dates on sales office leases range from May 1998 to March 1999.

The Company has entered into a lease agreement for new office space adjacent to its current corporate office and principal facility. At the time the Company accepts the new office space, begins paying rent and vacates the existing office space, the lessor of the new office space will assume the existing lease agreement. The new office in Suwanee, Georgia will consist of approximately 87,000 square feet of space. The new lease requires annual payments of $913,185 for the first 12-month period with an increase of 3% in each 12-month period after the first year. The lease will commence on January 1, 1999 and expires on March 31, 2006. The Company plans to move to its new office space in January of 1999 to meet its needs as a result of significant growth in personnel.

LEGAL PROCEEDINGS

The Company is not currently a party to any legal proceedings.

MANAGEMENT OF THE COMPANY

The executive officers and directors of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Stephen P. Jeffery.....	42	Chairman, Chief Executive Officer, President and Director
William M. Curran, Jr...	36	Vice President, Sales
William A. Fielder, III.....	39	Chief Financial Officer and Treasurer

Sally M. Foster..... 44 Vice President, Customer Support
Robert C. Holler..... 34 Vice President, Research and Development
Steven M. Hornyak..... 32 Vice President, Marketing
David A. Spicer..... 51 Vice President, Development
Arthur G. Walsh, Jr..... 51 Vice President, Human Resources and Secretary
Joseph S. McCall..... 48 Director
Tench Coxe(1)(2)..... 40 Director
William S. Kaiser(1)(2). 42 Director
Donald L. House..... 57 Director
Said Mohammadioun..... 51 Director
Mark A. Johnson..... 45 Director
</TABLE>
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(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

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

WILLIAM M. CURRAN, JR. joined the Company in February 1996 as Regional Sales Manager for the Southern Region. In August 1997, Mr. Curran was elected Vice President of Sales for the Eastern region and in July 1998 he was elected Vice President of Sales. Prior to joining the Company, Mr. Curran was employed by Geac Computer Corp. Ltd (formerly Dun & Bradstreet Software) ("Geac") from November 1989 until February 1996 as a Senior Account Executive where he was the top sales performer for a six-year period. From June 1984 until November 1989, Mr. Curran served in a variety of sales positions with Unisys Corporation.

WILLIAM A. FIELDER, III joined the Company in March 1998 as Chief Financial Officer and Treasurer. Prior to joining the Company, Mr. Fielder served as Vice President and Chief Financial Officer of Gray Communications Systems, Inc. from July 1993 to March 1998. From April 1991 to July 1993, Mr. Fielder served as Controller of Gray Communications Systems, Inc. which was the chief financial officer position of that company. From November 1984 to March 1991, Mr. Fielder was employed with Ernst & Young LLP where he served a variety of roles in the Columbus, Georgia, office, most recently as audit manager and computer auditor for a variety of clients in the Atlanta and West Georgia area.

SALLY M. FOSTER joined the Company in March 1997 as Vice President of Customer Service. Prior to joining the Company, Ms. Foster served in several positions at Geac from August 1988 until March 1997, most recently as Vice President/Director of Global Business Operations. From August 1985 until August 1988, Ms. Foster served as the Division Operations Manager for the General Motors Corporation, Electronic Data Systems Ltd. based in London, England.

ROBERT C. HOLLER joined the Company in June 1993 as the group leader for all technology development. In January 1995, Mr. Holler was elected Vice President of Development and in May 1996, he was elected Vice President of Research. In April 1998, Mr. Holler was elected Vice President of Research and Development. Currently, Mr. Holler serves as Vice President of Research. Before joining the Company, he served from 1989 to 1993 as a consultant with McCall Consulting Group, where he managed the initial implementations of the Company's products. Prior to that time,, he was employed with Andersen Consulting as a consultant.

STEVEN M. HORNYAK joined the Company in December 1994 as an Account Executive and was promoted to Regional Sales Manager for the Northeast region. In August 1997, Mr. Hornyak was elected Vice President of Marketing. Prior to joining the Company, Mr. Hornyak served in a variety of sales and consulting roles for Oracle Corporation from June 1992 until December 1994. Prior to that, he was employed by Price Waterhouse in its management consulting services group.

DAVID A. SPICER joined the Company in August 1998, as Vice President of Development. Prior to joining the Company, Mr. Spicer served as Vice President of Development for Arbor Software from February 1998 to July 1998. From April 1992 to February 1998, Mr. Spicer served as Vice President of Financial Application Development at Oracle Corporation.

ARTHUR G. WALSH, JR. joined the Company in November 1992 as Chief Operating Officer and Secretary. In October 1995, Mr. Walsh was elected Vice President of Customer Service and Treasurer. Currently, Mr. Walsh serves as Vice President of Human Resources and Secretary. From September 1989 until November 1992, he was Chief Operating Officer for Wilson & McIlvaine, a general business Chicago law firm, where he was responsible for overall management of the firm's business operations. Before that, Mr. Walsh was employed with Andersen Consulting, from July 1974 until September 1989, where he served in a variety of roles in Atlanta and Chicago, lastly as Director of Finance and Administration for the Technical Services Organization in Chicago world headquarters.

JOSEPH S. MCCALL co-founded the Company in November 1991 and has previously served as its Chairman, President, and Chief Executive Officer and has been a member of the Board of Directors since 1991. Mr. McCall currently serves as a Director and consultant to the Company. Prior to founding the Company, Mr. McCall founded McCall Consulting Group, Inc. in 1986, and he currently serves as its President. Mr. McCall also formed Technology Ventures, LLC in 1994 and currently serves as its sole manager. From 1975 to 1986, Mr. McCall managed major systems integration and development projects and application software evaluations and implementation engagements for Andersen Consulting.

TENCH COXE has served as a member of the Board of Directors of the Company since September 1993. Mr. Coxe has served as a general partner of Sutter Hill Ventures, a venture capital company located in Palo Alto, California, since 1989. From 1984 to 1987, Mr. Coxe served as Director of Marketing and in other management positions with Digital Communications Associates. Mr. Coxe is currently on the Board of Directors of Avant! Corporation and Edify Corporation.

WILLIAM S. KAISER has served on the Board of Directors of the Company since November 1992. Mr. Kaiser joined Greylock Management Corporation, a venture capital company located in Boston, in 1986 and became a general partner in 1988. From 1983 to 1986, Mr. Kaiser served in a variety of marketing management positions with Apollo Computer, primarily working with Apollo's third-party suppliers. Mr. Kaiser is also on the Board of Directors of Avid Technology, Inc. and Open Market, Inc.

DONALD L. HOUSE served as Chairman of the Board of Directors of the Company from January 1994 through December 1997, and as President and a Director from January 1993 through December 1993. From September 1991 until December 1992, Mr. House served as President of Prentice Hall Professional Software, Inc., a subsidiary of Simon and Schuster, Inc. From 1968 through 1987, Mr. House served in a number of senior executive positions with Management Science America, Inc. Mr. House is a director of Melita International

Corporation, where he serves as Chairman of the Audit Committee and a member of the Compensation Committee and is a director of Carreker-Antinori, Inc., where he is a member of its Audit Committee. Mr. House also serves as a member of the Board of Directors of BT Squared Technologies, Inc., Intellimedia Commerce, Inc. and Telinet Technologies, LLC which are privately held companies.

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

SAID MOHAMMADIOUN has served as a member of the Board of Directors of the Company since March 1998. Mr. Mohammadioun has served as Chairman and Chief Executive Officer of Synchrologic, Inc. since October 1996. From March 1995 to September 1996, he was a private investor in small technology companies. Mr.

Mohammadioun was Vice President of Lotus Development Corp. from December 1990 to February 1995. Mr. Mohammadioun also serves on the Board of Directors of IQ Software Corporation and FirstWave Technologies, Inc.

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

The Company's Board of Directors is divided into three classes, with the members of each class of directors serving for staggered three-year terms. Messrs. McCall, Kaiser and Johnson serve in the class the term of which expires in 1999; Messrs. Coxe and House serve in the class the term of which expires in 2000; and Messrs. Jeffery and Mohammadioun serve in the class the term of which expires in 2001. Upon the expiration of the term of each class of directors, directors comprising such class of directors will be elected for a three-year term at the next succeeding annual meeting of stockholders. The Company's classified Board of Directors could have the effect of increasing the length of time necessary to change the composition of a majority of the Board of Directors. In general, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in a majority of the members of the Board of Directors. See "Description of Capital Stock--Delaware Law and Certain Provisions of the Company's Restated Certificate and By-laws."

COMMITTEES OF THE BOARD OF DIRECTORS

The Audit Committee consists of Messrs. Coxe and Kaiser. The Audit Committee reviews, with the Company's independent auditors, the scope and timing of their audit services and any other services they are asked to perform, the auditor's report on the Company's financial statements following completion of their audit and the Company's policies and procedures with respect to internal accounting and financial controls. In addition, the Audit Committee makes annual recommendations to the Board of Directors for the appointment of independent auditors for the ensuing year. The Compensation Committee consists of Messrs. Coxe and Kaiser. The Compensation Committee reviews and evaluates the compensation and benefits of all officers of the Company, reviews general policy matters relating to compensation and benefits of employees of the Company and makes recommendations concerning these matters to the Board of Directors. The Compensation Committee also administers the Company's stock option plans.

DIRECTOR COMPENSATION

Directors who are not employees of the Company (also referred to as "Outside Directors") currently include Messrs. McCall, Coxe, House, Kaiser, Mohammadioun and Johnson. Outside Directors do not receive an annual retainer or any fees for attending regular meetings of the Board of Directors. Directors are not reimbursed for out-of-pocket expenses incurred in attending such meetings. Outside Directors may participate in the Company's 1998 Stock Incentive Plan. Effective March 9, 1998, the Company granted to Mr. Mohammadioun an option to acquire 11,250 shares of Common Stock at an exercise price of $8.00 per share.

On June 2, 1998, each of the Outside Directors at that time were granted options to purchase 7,500 shares of Company Common Stock at an exercise price of $7.63 per share. On July 1, 1998, the Company granted Mark A. Johnson options to purchase 18,750 shares of Common Stock at an exercise price of $9.13 per share.

EXECUTIVE COMPENSATION

The following table sets forth certain information regarding compensation earned by Joseph S. McCall, the Company's Chief Executive Officer at December 31, 1997, and the Company's four other most highly compensated executive officers who were serving as executive officers at the end of 1997 (collectively, the "Named Executive Officers") for services rendered in all capacities to the Company in 1997.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	ANNUAL COMPENSATION(1)			LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	SALARY	BONUS	OTHER ANNUAL COMPENSATION	NUMBER OF SECURITIES UNDERLYING OPTIONS(2)	ALL OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>
Joseph S. McCall..... Chief Executive Officer(3)	$151,350	$150,000	--	--	--
William M. Curran, Jr... Vice President, Sales	$111,748	$197,910	--	45,000	--
Steven M. Hornyak..... Vice President, Marketing	$111,760	$130,822	--	51,000	$53,394(4)
Stephen P. Jeffery..... President(5)	$175,000(6)	$ 92,621	--	75,000	--
Alain Livernoche..... Vice President, Sales(7)	$136,752	$ 91,599	--	60,000	--

</TABLE>

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(1) In accordance with the rules of the SEC, the compensation set forth in the table does not include medical, group life insurance or other benefits which are available to all salaried employees of the Company, and certain perquisites and other benefits, securities or property that do not exceed the lesser of $50,000 or 10% of the person's salary and bonus shown in the table.

(2) The Company did not make any restricted stock awards, grant any stock appreciation rights or make any long-term incentive payments during fiscal 1997 to its executive officers. Options granted to the Named Executive Officers were granted at fair market value on the date of grant as determined by the Board of Directors.

(3) Mr. McCall resigned as the Company's Chief Executive Officer on February 5, 1998.

(4) One time payment for relocation expenses.

(5) Mr. Jeffery was elected as the Company's Chief Executive Officer effective as of February 5, 1998.

(6) Includes $14,583 in deferred compensation earned in 1997.

(7) Mr. Livernoche resigned as the Company's Vice President of Sales and as an employee of the Company on June 30, 1998.

The following table sets forth all individual grants of stock options during fiscal year 1997 to each of the Named Executive Officers.

OPTION GRANTS IN LAST FISCAL YEAR

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE PER SHARE	EXPIRATION DATE	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Joseph S. McCall.....	--	--	--	--	--	--
Stephen P. Jeffery.....	75,000	9.3%	$3.67	11/10/04	$112,054	$261,134
William M. Curran, Jr...	15,000	1.9	2.00	07/24/04	12,213	28,462
	30,000	3.7	3.67	11/10/04	44,822	104,454
Alain Livernoche.....	15,000	1.9	1.00	04/13/04	6,107	14,231
	15,000	1.9	2.00	07/24/04	12,213	28,462
	30,000	3.7	3.67	11/10/04	44,822	104,454
Steven M. Hornyak.....	6,000	0.7	1.00	01/01/04	2,443	5,692
	15,000	1.9	1.00	05/23/04	6,107	14,231
	30,000	3.7	3.67	11/10/04	44,822	104,454

</TABLE>
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(1) All options were incentive stock options and were granted pursuant to the Company's 1992 Stock Option Plan at an exercise price not less than fair market value on the date of grant as determined by the Board of Directors of the Company. Options vest in installments over a period of four years with 20% of the options vested 12 months from the date of grant, 40% vested 24 months after the date of grant, 70% vested 36 months after the date of grant and 100% vested 48 months after the date of grant. The options expire seven years after the date of grant.
(2) Amounts reported in this column represent hypothetical values that may be realized upon exercise of the options immediately prior to the expiration of their term, assuming that the stock price on the date of grant appreciates at the specified annual rates of appreciation, compounded annually over the term of the option. These numbers are calculated based on rules promulgated by the SEC.

The following table provides information regarding exercisable and unexercisable stock options held as of December 31, 1997 by each of the Named Executive Officers. There were no options exercised by the Named Executive Officers in 1997.

YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END(1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
Joseph S. McCall.....	61,762	--	$267,429	$ --
Stephen P. Jeffery.....	37,500	225,000	159,900	714,600
William M. Curran, Jr.....	3,000	57,000	12,396	134,484
Alain Livernoche.....	--	60,000	--	144,900
Steven M. Hornyak.....	2,340	57,660	9,914	151,867

</TABLE>
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(1) There was no public trading market for the Common Stock as of December 31, 1997. Accordingly, these values have been calculated by determining the difference between the estimated fair market value of the Company's Common Stock underlying the option as of December 31, 1997 ($5.00 per share) and the exercise price per share payable upon exercise of such options. In determining the fair market value of the Company's Common Stock, the Board of Directors considered various factors, including the Company's financial condition and business prospects, its operating results, the absence of a market for its Common Stock and the risks normally associated with technology companies.

EMPLOYEE BENEFIT PLANS

1992 Stock Option Plan. The Company adopted its 1992 Stock Option Plan (the "1992 Stock Option Plan") on November 22, 1992. The aggregate number of shares reserved for issuance under the 1992 Stock Option Plan is 1,633,938 shares. As of July 31, 1998, options to purchase 1,513,426 shares of Common Stock were outstanding under the 1992 Stock Option Plan at exercise prices ranging from $0.67 to $10.00 per share and a weighted average exercise price of $2.68 per share. Options granted under the 1992 Stock Option Plan generally vest in installments over a period of four years with 20% of the options vested 12 months from the date of grant, 40% vested 24 months from the date of grant, 70% vested 36 months from the date of grant and 100% vested 48 months after the date of grant. The Company has accelerated the vesting of options granted from January through March 1998 under the 1992 Stock Option Plan. As of July 31, 1998, 55,973 shares of Common Stock have been issued pursuant to the exercise of options granted under the 1992 Stock Option Plan. The purpose of the 1992 Stock Option Plan is to provide incentives for key employees, officers, consultants and directors to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The majority of all options granted under the 1992 Stock Option Plan are intended to qualify as "incentive stock options" under Section 422 of the

Internal Revenue Code of 1985 as amended (the "Code").

The 1992 Stock Option Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has the authority to determine exercise prices applicable to the options, the eligible officers, directors, consultants or employees to whom options may be granted, the number of shares of the Company's Common Stock subject to each option and the extent to which options may be exercisable.

1998 Stock Incentive Plan. In February 1998, the Board of Directors adopted and the stockholders approved the SQL 1998 Stock Incentive Plan (the "1998 Stock Plan"). Under the 1998 Stock Plan, the Board of Directors, or the Compensation Committee of the Board of Directors, has the flexibility to determine the type and amount of awards to be granted to eligible participants. The 1998 Stock Plan is intended to secure for the Company and its stockholders the benefits arising from ownership of the Company's Common Stock by individuals employed or retained by the Company who will be responsible for the future growth of the enterprise. The 1998 Stock Plan is designed to help attract and retain superior personnel for positions of substantial responsibility with the Company (including advisory relationships where appropriate), and to provide individuals with an additional incentive to contribute to the Company's success.

The Board or the Compensation Committee may make the following types of grants under the 1998 Stock Plan, each of which will be an "Award": (i) incentive stock options ("ISOs"); (ii) nonqualified stock options ("NSOs"); (iii) restricted stock awards ("Restricted Stock Awards"); (iv) stock appreciation rights ("SARs"); and (v) restricted units ("Restricted Units"). Officers, key employees, employee directors, consultants and other independent contractors or agents of the Company or its subsidiaries who are responsible for or contribute to the management growth or profitability of the Company's business will be eligible for selection by the Board of Directors or the Compensation Committee to participate in the 1998 Stock Plan, provided, however, that ISOs may be granted only to a person who is an employee of the Company or its subsidiaries.

The Company has authorized and reserved for issuance an aggregate of 1,000,000 shares of its Common Stock under the 1998 Stock Plan. As of July 31, 1998, options to purchase 529,600 of Common Stock were outstanding under the 1998 Stock Plan with exercise prices ranging from $7.63 to $10.00 per share and a weighted average exercise price of $8.89 per share. The Company has accelerated the vesting of certain options granted during January through March 1998 under the 1998 Stock Plan. The aggregate number of shares of Common Stock that may be granted through Awards under the 1998 Stock Plan to any employee in any calendar year may not exceed 200,000 shares. The shares of Common Stock issuable under the 1998 Stock Plan are authorized but unissued shares. If any of the Awards granted under the 1998 Stock Plan expire, terminate or are forfeited for any reason before they have been exercised, vested or issued in full, the unused shares subject to those expired, terminated or forfeited Awards will again be available for purposes of the 1998 Stock Plan. The 1998 Stock Plan will continue in effect until February 2008 unless sooner terminated under the general provisions of the 1998 Stock Plan.

The 1998 Stock Plan is administered by the Board of Directors or upon its delegation to the Compensation Committee of the Board of Directors, by the Compensation Committee, consisting of not less than two directors of the Company who are "non-employee directors" (within the meaning of SEC Rule 16b-3 promulgated pursuant to the Securities Exchange Act of 1934, as amended), so long as non-employee director administration is required under Rule 16b-3, and who are "outside directors" (as defined in Section 162(m) of the Code), so long as outside directors are required by the Code. Subject to the foregoing limitations, as applicable, the Board of Directors may from time to time remove members from the Compensation Committee, fill all vacancies on the Compensation Committee, however caused, and may select one of the members of the Compensation Committee as its chairman. The Compensation Committee may hold meetings at such times and places as they may determine, will keep minutes of their meetings, and may adopt, amend and revoke rules and procedures in accordance with the terms of the 1998 Stock Plan.

401(k) Retirement Savings Plan. The Company maintains a Section 401(k) Retirement Savings Plan (the "401(k) Plan"). The 401(k) Plan is intended to be

a tax-qualified defined contribution plan under Section 401(k) of the Code. In general, Company employees who have completed six consecutive months of service with the Company and are over 21 years of age may elect to participate in the 401(k) Plan. Under the 401(k) Plan, participants may elect to defer a portion of their compensation, subject to certain Code limitations. In addition, at the discretion of the Board of Directors and subject to certain Code limitations, the Company may make profit sharing contributions into the 401(k) Plan. The Company currently does not match contributions. A separate account is maintained for each participant in the 401(k) Plan, which account is 100% vested. Distributions from the 401(k) Plan may be in the form of a lump-sum payment in cash or property or in the form of an annuity.

AGREEMENTS WITH EMPLOYEES

In February 1998, the Company entered into an agreement with Joseph S. McCall whereby Mr. McCall resigned as the Company's Chief Executive Officer and as Chairman, Chief Executive Officer and Manager of the Services Subsidiary. Mr. McCall agreed to remain an employee of the Company at his current salary, including incentive compensation, until the completion of the Company's initial public offering, at which time he became a consultant to the Company for a period of one year pursuant to the terms of an Independent Contractor Agreement. For his consulting services, the Company will pay Mr. McCall the sum of $125,000 over the one year period, with the ability to earn an additional $100,000 in incentive compensation if certain revenue targets are met by the Company. Mr. McCall has agreed to continue to serve on the Company's Board of Directors for at least six months following the termination of his employment. In recognition of his past services, Mr. McCall's agreement to allow the termination of the common stock voting trust agreement, and his resignation as CEO, the Company paid Mr. McCall a lump sum of $225,000 and will pay Mr. McCall as severance an additional $75,000 payable in semi-monthly installments over a one year period beginning on the Effective Time of the termination of his employment with the Company.

The Company generally enters into confidentiality and nondisclosure agreements with its employees. Pursuant to the terms of these agreements, employees agree to confidentiality restrictions, employee and customer nonsolicitation covenants and assignment of inventions.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company's Compensation Committee reviews and approves compensation and benefits for the Company's key executive officers, administers the Company's stock option plans and makes recommendations to the Board regarding such matters. No member of the Compensation Committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board or Compensation Committee.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

The By-Laws of the Company and the Amended and Restated Certificate of Incorporation of the Company (the "Restated Certificate") provide that the directors and officers of the Company shall be indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company. Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the Company pursuant to the Restated By-Laws, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. The Company has obtained insurance which insures the directors and officers of the Company against certain losses and which insures the Company against certain of its obligations to indemnify such directors and officers. In addition, the Restated Certificate provides that the directors of the Company will not be personally liable for monetary damages to the Company for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to the Company or its stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors. Such limitations of personal liability under the Delaware Business Corporation Law do not apply to

liabilities arising out of certain violations of the federal securities laws. While non-monetary relief such as injunctive relief, specific performance and other equitable remedies may be available to the Company, such relief may be difficult to obtain or, if obtained, may not adequately compensate the Company for its damages.

There is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification by the Company will be required or permitted. The Company is not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

COMPANY PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of August 31, 1998, by: (i) each person known by the Company to be the beneficial owner of more than 5% of the Company's Common Stock; (ii) each of the Company's directors; (iii) each Named Executive Officer who is a beneficial owner of the Company's Common Stock (see "Management--Executive Compensation"); and (iv) all executive officers and directors as a group.

<TABLE>
<CAPTION>

NAME OF BENEFICIARY OWNER	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENTAGE OF COMMON STOCK OUTSTANDING(2)	PERCENTAGE AFTER THE MERGER
<S>	<C>	<C>	<C>
Technology Crossover Management, L.L.C.(3)	1,690,930	16.9%	14.9%
Joseph S. McCall(4)	1,256,587	12.6	11.1
William S. Kaiser(5)	1,004,997	10.0	8.9
Greylock Limited Partnership(5)(6)	1,003,122	10.0	8.9
Technology Ventures L.L.C.(7)	928,950	9.3	8.2
HarbourVest Partners IV--Direct Fund L.P.(8)	870,155	8.7	7.7
Tench Coxe(9)	743,680	7.4	6.6
Sutter Hill Ventures, a California Limited Partnership(9)	741,805	7.4	6.6
Highland Capital Partners II Limited Partnership(10)	594,684	5.9	5.2
Stephen P. Jeffery(11)	174,299	1.7	1.5
Donald L. House(12)	78,124	*	*
Said Mohammadioun(13)	21,125	*	*
Steven M. Hornyak(14)	7,950	*	*
William M. Curran, Jr.(15)	7,200	*	*
Mark Johnson(16)	1,875	*	*
All executive officers and directors as a group (14 persons)	3,391,946	33.9%	29.9%

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(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock issuable by the Company pursuant to options held by the respective person or group which may be exercised within 60 days after July 31, 1998 ("Presently Exercisable Options"). Except as otherwise indicated, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name.

(2) For purposes of calculating the percentage beneficially owned, the number of shares deemed outstanding before the Merger are the shares outstanding as of August 31, 1998. The number of shares deemed outstanding after the Merger includes Common Stock being offered hereby. Presently Exercisable Options are deemed to be outstanding and to be beneficially owned by the person or group holding such options for the purpose of computing the percentage ownership of such person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(3) Includes (i) 70,082 shares of Common Stock owned by Technology Crossover Ventures II, L.P.; (ii) 647,674 shares of Common Stock owned by Technology Crossover Ventures I, L.P. ("TCVLP"); (iii) 51,291 shares of Common Stock owned by Technology Crossover Ventures I, C.V. ("TCVCV"); (iv) 53,880 shares of Common Stock owned by Technology Crossover Ventures (Q), L.P.; (v) 9,562 shares of Common Stock owned by Technology Crossover Ventures II Strategic Partners, L.P.; (v) 10,700 shares of Common Stock owned by Technology Crossover Ventures II, C.V.; (vi) 2,276 shares of Common Stock owned by Technology Crossover Ventures II, V.O.F.; (vii) 146,500 shares of Common Stock owned by Technology Crossover Management II, L.L.C. and (viii) 698,965 shares of Common Stock owned by Technology Crossover Management I, L.L.C. Technology Crossover Management, L.L.C. is the sole

general partner of TCVLP and the sole investment general partner of TCVCV. The managing members of Technology Crossover Management, L.L.C. are Jay C. Hoag and Richard H. Kimball. Technology Crossover Ventures' address is 575 High Street, Suite 400, Palo Alto, California 94301. Information with respect to Technology Crossover Management, L.L.C. ("TCM") is provided in reliance upon information included in a Schedule 13G filed by TCM dated June 17, 1998.

(4) Includes 325,762 shares of Common Stock owned by Mr. McCall individually, 928,950 owned by Technology Ventures L.L.C., a Georgia limited liability company controlled by Mr. McCall and 1,875 shares issuable to Mr. McCall upon the exercise of Presently Exercisable Options.

(5) Mr. Kaiser, a director of the Company, has voting control over the securities of the Company held by Greylock Limited Partnership. Includes 1,875 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(6) The general partners of Greylock Limited Partnership are Howard E. Cox, Roger Evans, William Helman, Robert Henderson, William Kaiser, Henry McCance and Dave Strohm. Greylock Limited Partnership's address is One Federal Street, Boston, Massachusetts 02110.

(7) Consists of 928,950 shares owned by Technology Ventures L.L.C. Technology Ventures L.L.C.'s address is Two Ravinia Drive, 10th Floor, Suite 1090, Atlanta, Georgia.

(8) Includes 43,507 shares of Common Stock owned by Falcon Ventures II, L.P. ("Falcon"). Falcon is an affiliate of HarbourVest Partners IV--Direct Fund L.P. ("HarbourVest"). Both Falcon and HarbourVest are beneficially owned by Edward W. Kane, D. Brooks Zug, George R. Anson, Kevin Delbridge, William A. Johnston, Frederick C. Maynard, Ofer Nemirovsky and Robert M. Wadsworth. HarbourVest's address is One Financial Center, Boston, Massachusetts 02111.

(9) Includes (i) 491,693 shares of Common Stock owned by Sutter Hill Ventures, a California Limited Partnership ("Sutter Hill"); (ii) 20,128 shares of Common Stock owned by Mr. Coxe, individually; (iii) 1,875 shares of Common Stock issuable upon the exercise of Presently Exercisable Options; (iv) 225,822 shares of Common Stock held of record for 14 other individuals or entities associated with Sutter Hill (the "Sutter Hill Affiliates"); and (v) 4,162 shares of Common Stock owned by the Sutter Hill Affiliates. Mr. Coxe, a director of the Company, is a Managing Director of the General Partner of Sutter Hill and shares voting and investment power with respect to the shares of Common Stock held by Sutter Hill. Mr. Coxe disclaims beneficial ownership of the shares held by Sutter Hill and Sutter Hill Affiliates, except as to the shares held of record in his name and as to his partnership interest in Sutter Hill. Sutter Hill's address is 755 Page Mill Road, Suite A-200, Palo Alto, California 94304-1005.

(10) Includes 594,684 shares of Common Stock owned by Highland Capital Partners II Limited Partnership ("Highland Capital"). The general partner of Highland Capital is Highland Management Partners II. The general partners of Highland Management Partners II are Robert F. Higgins, Paul A. Maeder, Daniel J. Nova and Wycliff K. Grousbeck. Highland Capital's address is One International Place, Boston, Massachusetts 02110.

(11) Includes 128,249 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(12) Includes 1,875 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(13) Includes 13,125 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(14) Includes 7,950 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(15) Includes 7,200 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(16) Consists of 1,875 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

CERTAIN TRANSACTIONS OF THE COMPANY

In March 1995, the Company issued 450,000 shares of Common Stock to Tech Ventures, an entity controlled by Joseph S. McCall, the Company's Chief Executive Officer at that time and a member of the Company's Board of Directors, in exchange for certain intellectual property rights, intangible assets and $10,000 cash. Following the acquisition, the Company and Tech Ventures formed the Services Subsidiary. The Company contributed the acquired intellectual property rights, intangible assets and $10,000 cash to the Services Subsidiary

in exchange for an 80% interest in the Services Subsidiary. Tech Ventures acquired the remaining 20% interest in the Services Subsidiary in exchange for a $75,000 promissory note bearing interest at 7.74%, payable annually, with the principal due in a lump sum payment in March 2000 (the "Tech Ventures Note").

During 1996 and 1997, McCall Consulting Group, Inc. ("MCG"), an entity owned by Tech Ventures, provided to the Company: (i) temporary services by administrative employees; (ii) third-party consulting services in connection with several product development projects; (iii) the lease of office equipment and office space in the Company's prior headquarters facility; and (iv) services in connection with the Company's sales process. The Company paid MCG approximately $1.6 million and $1.4 million, respectively, during 1997 and 1996 for these services. In February 1998, the Company entered into an Independent Contractor Agreement with MCG providing for the performance of services by MCG for the Company and the assignment to the Company of the intellectual property rights associated with the performance of such services. In addition, in February 1998, the Company granted to Tech Ventures and MCG a royalty-free license to use its current products as well as certain of the Company's future products to be designated by the Company, and agreed to provide to MCG without charge ongoing support services as long as Tech Ventures owns at least 100,000 shares of the Common Stock of the Company and has not modified the software. This license agreement may be terminated by the Company if a competitor of the Company acquires any interest in either MCG or Tech Ventures.

On February 5, 1998, Tech Ventures sold its 20% interest in the Services Subsidiary to the Company in exchange for 225,000 shares of the Company's Common Stock, a warrant to purchase an additional 300,000 shares of Common Stock at an exercise price of $3.67 per share and a non-interest bearing two-year promissory note in the principal amount of $1.1 million, giving the Company 100% ownership of the Services Subsidiary. The Company granted Tech Ventures certain registration rights and agreed to register in the Company's initial public offering 497,700 shares of Common Stock owned by Tech Ventures (comprised of 272,700 of the 450,000 shares originally issued to Tech Ventures in March 1995 and 225,000 shares issued on February 5, 1998) and to maintain the effectiveness of such registration for a period of two years. Tech Ventures has agreed not to sell any of its shares for a period of 180 days after the Effective Time of the Company's initial public offering on November 22, 1998. In addition, immediately prior to the purchase and sale, the Services Subsidiary distributed approximately $241,000 to Tech Ventures as the accumulated unpaid profits earned by the Services Subsidiary prior to February 5, 1998. All of the material terms of the purchase were agreed upon by Tech Ventures and the Company in January 1998, including the number of shares to be issued to Tech Ventures. The transaction was approved by the Company's Board of Directors and consummated on February 5, 1998. In February 1998, the Services Subsidiary also paid Tech Ventures approximately $33,000 as consideration for the termination of the Management Services Agreement entered into between the parties in March 1995, and Tech Ventures paid in full to the Services Subsidiary the remaining principal balance and accrued interest of approximately $33,000 due under the Tech Ventures Note.

In February 1998, the Company entered into certain severance and related agreements with Joseph S. McCall in connection with his resignation as the Company's Chief Executive Officer. In connection therewith, the Company paid Mr. McCall $225,000, severance in the amount of $75,000 payable over a one year period beginning on May 26, 1998, and entered into an Independent Contractor Agreement whereby Mr. McCall will serve as a consultant to the

Company for one year for $125,000 in compensation, with the ability to earn an additional $100,000 in incentive compensation. See "Management--Agreements with Employees." Tech Ventures provided recruiting services to the Company from January 1996 through January 1997 in the amount of $339,302. In addition, pursuant to a Management Services Agreement, Tech Ventures received $25,000 for certain administrative services rendered to the Services Subsidiary during each of 1997 and 1996.

On October 26, 1995, Tech Ventures received a warrant to purchase 87,500 shares of the Company's Series C Preferred Stock resulting from the conversion and simultaneous cancellation of 87,500 shares of Series C Preferred Stock held by Tech Ventures and the simultaneous amendment of a promissory note payable by Tech Ventures to the Company which had been made by Tech Ventures as payment for its original shares of Series C Preferred Stock. Tech Ventures exercised this warrant following the closing of the Company's initial public offering.

The Company believes that all transactions set forth above were made on terms no less favorable to the Company than would have been obtained from unaffiliated third parties.

COMPANY CAPITAL STOCK

The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, $.0001 par value per share, and 5,000,000 shares of preferred stock, $.0001 par value per share (the "Preferred Stock").

COMMON STOCK

As of August 31, 1998, there were 9,188,442 shares of Common Stock issued and outstanding and held of record by 104 stockholders. Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor, subject to any preferential dividend rights of outstanding Preferred Stock. Upon the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive ratably the net assets of the Company available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding Preferred Stock. Holders of the Common Stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which the Company may designate and issue in the future.

PREFERRED STOCK

The Board of Directors is authorized, subject to certain limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of Preferred Stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each such series thereof, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of such series. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change of control of the Company. The Company has no present plans to issue any shares of Preferred Stock.

The Company believes that the Preferred Stock will provide the Company with increased flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. Having such authorized shares available for issuance will allow the Company to issue shares of Preferred Stock without the expense and delay of holding a special stockholders' meeting. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by stockholders of the Company, unless such action is required by applicable law or the rules of any stock exchange or quotation system on which the

Company's securities may be listed or quoted.

DELAWARE LAW AND CERTAIN PROVISIONS OF THE COMPANY'S RESTATED CERTIFICATE AND BY-LAWS

The Company is subject to Section 203 ("Section 203") of the Delaware General Corporation Law (the "Delaware Code"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder's becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also

officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines business combinations to include: (i) any merger or consolidation involving the corporation and the interested stockholder; (ii) any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation; (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as an entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

The Company's Amended and Restated Certificate of Incorporation (the "Certificate") provides for the classification of the Company's Board of Directors. These and other provisions could have the effect of making it more difficult to acquire the Company by means of a tender offer, proxy contest or otherwise or to remove the incumbent officers and directors of the Company. These provisions may discourage certain types of coercive takeover practices and encourage persons seeking to acquire control of the Company to first negotiate with the Company.

The Company's Certificate does not provide preemptive rights to (the "Delaware Code") the Company's Stockholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Common Stock is First Union National Bank of North Carolina, N.A.

COMPARISON OF RIGHTS OF STOCKHOLDERS OF THE COMPANY AND ELEKOM

As a result of the Merger, holders of ELEKOM capital stock will be exchanging their shares of a Washington corporation governed by the WBCA and ELEKOM's Restated Articles of Incorporation ("Articles") and Bylaws, for shares of the Company, a Delaware corporation governed by the Delaware Code and the Company's Certificate and Bylaws. Certain significant differences exist between the rights of ELEKOM Shareholders and those of Company stockholders. The differences deemed material by ELEKOM and the Company are summarized below. The following discussion is necessarily general; it is not intended to be a complete statement of all differences affecting the rights of stockholders, and it is qualified in its entirety by reference to the

Washington Code and the Delaware Code as well as to the Company's Certificate and Bylaws and ELEKOM's Articles and Bylaws.

AUTHORIZED CAPITAL STOCK

The Company. The Company is currently authorized to issue 25,000,000 shares of Company Common Stock, $.0001 par value per share, of which 9,188,442 shares were issued and outstanding as of August 31, 1998, and 5,000,000 shares of Preferred Stock, none of which are currently issued and outstanding. The Board of Directors of the Company may authorize the issuance of additional shares of Company Common Stock or Preferred Stock without further action by the Company's stockholders, up to the maximum amount permitted by the Certificate, unless such action is required in a particular case by applicable laws or regulations or by any stock exchange upon which the Company's capital stock may be listed. The Company's Certificate does not provide preemptive rights to the Company's stockholders.

The Company's Certificate provides that the authorized preferred stock of the Company may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors of the Company, and such resolution or resolutions shall also set forth the voting powers, full or limited or none, of each such series of preferred stock and shall fix the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each such series of preferred stock.

The authority to issue additional shares of the Company's capital stock provides the Company with the flexibility necessary to meet its future needs without the delay resulting from seeking stockholder approval. The authorized but unissued shares of Company Common Stock will be issuable from time to time for any corporate purpose, including, without limitation, stock splits, stock dividends, employee benefit and compensation plans, acquisitions, and public or private sales for cash as a means of raising capital. Such shares could be used to dilute the stock ownership of persons seeking to obtain control of the Company. In addition, the sale of a substantial number of shares of Company Common Stock to persons who have an understanding with the Company concerning the voting of such shares, or the distribution or declaration of a dividend of shares of Company Common Stock (or the right to receive Company Common Stock) to Company stockholders, may have the effect of discouraging or increasing the cost of unsolicited attempts to acquire control of the Company.

ELEKOM. ELEKOM is authorized to issue 9,712,826 shares of ELEKOM Common Stock, $0.01 par value per share, of which 930,923 shares of ELEKOM Common Stock were issued and outstanding as of August 31, 1998. ELEKOM is also authorized to issue 5,327,174 shares of ELEKOM Preferred Stock $0.01 par value per share, of which 5,307,174 shares were issued and outstanding on August 31, 1998. Except for contractual agreements which may be entered into by ELEKOM with its shareholders from time to time, no preemptive rights shall exist with respect to shares of stock or securities convertible into shares of stock of ELEKOM.

The ELEKOM Preferred Stock may be issued from time to time in one or more series. Currently two series of ELEKOM Preferred Stock have been issued, designated as "Series A Preferred Stock," which consists of 917,229 shares, and "Series B Preferred Stock," which consists of 4,389,945 shares.

Each share of ELEKOM Series A Preferred Stock and ELEKOM Series B Preferred Stock is convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully-paid and nonassessable shares of ELEKOM Common Stock as is determined by dividing the Original ELEKOM Series A Issue Price or the Original ELEKOM Series B Issue Price, as the case may be, by the conversion price applicable to such share in effect on the date the certificate is surrendered for conversion. The initial conversion price per share for shares of Series A Preferred Stock and Series B Preferred Stock shall be the Original Series A Issue Price or Original Series B Issue Price, as the case may be, provided, however, that the conversion price for the Series A Preferred Stock and Series B Preferred Stock shall be subject to adjustment as set forth in the Articles. Each share of Series A Preferred Stock and Series B Preferred Stock shall automatically be converted into shares of ELEKOM Common Stock at the conversion price at the time in effect for such Series A Preferred Stock or Series B Preferred Stock, immediately upon the earlier of (i) ELEKOM's sale of the ELEKOM Common Stock

in a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, as amended, the public offering price of which is not less than $3.40 per share (as adjusted for any stock splits, stock dividends, recapitalizations or the like) and $10,000,000 in the aggregate or (ii) the date specified by written consent or agreement of the holders of two-thirds of the then outstanding shares of Series B Preferred Stock. ELEKOM, in its Articles, has committed that it will not, by amendment of its Articles or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by ELEKOM relating to the above-described conversion rights, but will at all times in good faith assist in the carrying out of all the provisions relating to conversion rights and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock and Series B Preferred Stock against impairment.

In the event of any liquidation, dissolution or winding up of ELEKOM, the holders of Series B Preferred Stock will be entitled to receive, prior and in preference to any distribution of any of the assets of ELEKOM to the holders of ELEKOM Common Stock, an amount per share equal to $0.6814 for each outstanding share of Series B Preferred Stock (the "Original Series B Issue Price") plus declared but unpaid dividends on such share. Upon the completion of the distribution to the holders of Series B Preferred Stock described above, if assets of ELEKOM remain, the holders of the Series A Preferred Stock shall be entitled to receive 17.28% of the assets distributed, and the holders of the Series B Preferred Stock and ELEKOM Common Stock together shall be entitled to receive 82.72% of the assets distributed, (with such 82.72% distributed between the holders of the Series B Preferred Stock and ELEKOM Common Stock pro rata based on the number of shares of ELEKOM Common Stock held by each (assuming full conversion of all such Series B Preferred Stock), until each holder of Series A Preferred Stock has received an amount per share equal to $7.2092 for each outstanding share of Series A Preferred Stock (the "Original Series A Issue Price") held by such holder, plus declared but unpaid dividends on such share. Upon completion of the distributions described above, all of the remaining assets of ELEKOM available for distribution to shareholders shall be distributed among the holders of Series A Preferred Stock, Series B Preferred Stock and ELEKOM Common Stock pro rata based on the number of shares of ELEKOM Common Stock held by each (assuming full conversion of all such Series A Preferred Stock and Series B Preferred Stock). For purposes of these liquidation preference provisions, a liquidation, dissolution or winding up of ELEKOM shall be deemed to be occasioned by, or to include (unless the holders of at least two-thirds of the Preferred Stock then outstanding shall determine otherwise), (i) the acquisition of ELEKOM by another entity by means of any transaction or series of related transactions that results in the transfer of fifty percent (50%) or more of the outstanding voting power of ELEKOM; or (ii) a sale of all or substantially all of the assets of ELEKOM. The Articles also provide that any non-cash consideration to be received in such a transaction shall be valued as set forth in the Articles; specifically, securities traded on a securities exchange or through the Nasdaq/NMS shall be valued at the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three days prior to the closing.

AMENDMENT OF ARTICLES OF INCORPORATION AND BYLAWS

The Company. Any amendment to the Company's Certificate must comply with the applicable provisions of the Delaware Code. The Delaware Code generally provides that the approval of a corporation's board of directors and the affirmative vote of a majority of (i) all shares entitled to vote thereon and (ii) the shares of each class of stock entitled to vote thereon as a class is required to amend a corporation's certificate of incorporation, unless the certificate specifies a greater voting requirement. The Company's Certificate provides that the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of the Company Common Stock shall be required to amend, alter, repeal or adopt any provision inconsistent with the existing provisions of the Certificate relating to the issuance by the Board of Directors of preferred stock; the classification of the Board of Directors; the liability of directors; the indemnification of directors; and the amendments to the Certificate. The Bylaws of the Company provide that the Bylaws may be amended or repealed and new Bylaws may be adopted by the

affirmative vote of the holders of a majority of the capital stock issued and outstanding and entitled to vote at any meeting of stockholders or by resolution adopted by the affirmative vote of not less than a majority of the number of directors of the Company. However, the provisions of the Bylaws relating to shareholder nominations and proposals; number, term and qualification of the Board of Directors; indemnification of directors and officers; and Amendments to Bylaws may only be altered, amended or repealed by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of the Company Common Stock.

ELEKOM. Any amendment to ELEKOM's Articles must comply with the applicable provisions of the Washington Code. The Washington Code authorizes a corporation's Board of Directors to make various changes of an administrative nature to the corporation's articles of incorporation, including changes of corporate name, changes to the number of outstanding shares in order to effectuate a stock split or stock dividend in the corporation's own shares, and changes to or elimination of provisions with respect to the par value of the corporation's stock. Other amendments to a corporation's articles of incorporation must be recommended to the

shareholders by the Board of Directors, unless the Board determines that because of a conflict of interest or other special circumstances, it should make no recommendation, and must be approved by a majority (if the corporation is a public company) of all votes entitled to be cast by each voting group that has a right to vote on the amendment. The articles of incorporation of a corporation may provide for a higher percentage of shareholder approval, but the ELEKOM Articles do not. ELEKOM's Bylaws provide that they may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors, except that the Board of Directors may not repeal or amend any Bylaw that the shareholders have expressly provided, in amending or repealing such Bylaw, may not be amended or repealed by the Board of Directors. The shareholders may also alter, amend and repeal the ELEKOM Bylaws or adopt new Bylaws. All Bylaws made by the Board of Directors of ELEKOM may be amended, repealed, altered or modified by the shareholders.

NUMBER OF DIRECTORS, ELECTION OF DIRECTORS AND CLASSIFIED BOARD OF DIRECTORS

The Company. The Bylaws of the Company provide that the Board of Directors of the Company shall consist of at least three but not more than seven members, which number shall be determined, from time to time, by resolution adopted by the Board of Directors. The Company's Board of Directors presently consists of seven members. The Certificate of the Company provides that the directors of the Company shall be divided into three classes as nearly equal in size as is practicable. The directors in each class serve three-year terms of office. If the number of directors is changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors shall shorten the term of any incumbent director. One class of directors is to be elected annually at a meeting of the stockholders by a plurality of the votes of the shares present in person or by proxy and entitled to vote on the election of directors. Each director shall hold office until the next annual meeting of stockholders at which his term expires and until his successor is elected and qualified, or until his earlier death, resignation or removal.

The effect of the Company having a classified Board of Directors is that only approximately one-third of the members of the Board of Directors are elected each year; consequently, two annual meetings are effectively required for the Company's stockholders to change a majority of the members of the Board of Directors.

ELEKOM. The WBCA provides that the board of directors of a Washington corporation shall consist of one or more directors as fixed by its articles of incorporation or bylaws. The Bylaws of ELEKOM provide that the Board of Directors of ELEKOM shall be composed of not less than one nor more than eight directors, the specific number to be set by resolution of the Board of Directors or the shareholders. ELEKOM's Board of Directors presently consists of five members. The Articles and Bylaws of ELEKOM do not provide for a classified Board of Directors. Rather, the Bylaws of ELEKOM provide that unless a director dies, resigns, or is removed, his or her term of office shall expire at the next annual meeting of shareholders; provided, however, that a director shall continue to serve until his or her successor is elected

or until there is a decrease in the authorized number of directors. Each shareholder entitled to vote at an election of directors may vote, in person or by proxy, the number of shares owned by such shareholder for one candidate for each board seat to be filled. Unless otherwise provided in the Articles, the candidates elected shall be those receiving the largest number of votes cast, up to the number of directors to be elected. The Articles provide that, as long as at least a majority of the shares of Series A Preferred Stock originally issued remain outstanding, the holders of such shares of Series A Preferred Stock shall be entitled to elect one director of ELEKOM at each annual election of directors. The holders of Series A Preferred Stock, Series B Preferred Stock and ELEKOM Common Stock (voting together as a single class and not as separate series, and on an as-converted basis) shall be entitled to elect any remaining directors of ELEKOM. ELEKOM's Articles do not provide for cumulative voting.

REMOVAL OF DIRECTORS

The Company. The Company's Bylaws provide that the directors of the Company may be removed from office only with cause by a vote of the holders of a majority of the shares of capital stock of the Company then entitled to vote at an election of directors, except as otherwise provided by applicable law.

ELEKOM. ELEKOM's Bylaws provide that, at a meeting of shareholders called expressly for such purpose, one or more members of ELEKOM's Board of Directors, including the entire Board of Directors, may be removed with or without cause by the holders of the shares entitled to elect the director or directors whose removal is sought if the number of votes cast to remove the director exceeds the number of votes cast not to remove the director. If ELEKOM's Articles permit cumulative voting in the election of directors, then a director may not be removed if the number of votes sufficient to elect such director if then cumulatively voted at an election of the entire board or, if there are classes of directors, at an election of the class of director of which such director is a part, is voted against the director's removal. ELEKOM's Articles currently do not provide for cumulative voting.

LIMITATION ON DIRECTOR LIABILITY

The Company. The Company's Certificate provides that, to the fullest extent permitted by the Delaware Code, a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director.

ELEKOM. ELEKOM's Articles provide that, to the full extent that the WBCA permits the limitation or elimination of the liability of directors, a director of ELEKOM shall not be liable to ELEKOM or its shareholders for monetary damages for conduct as a director. Any amendments to or repeal of this provision of ELEKOM's Articles will not adversely affect any right or protection of a director of ELEKOM for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. The WBCA permits a corporation to provide for the elimination or limitation of the liability of directors to the corporation or its shareholders for monetary damages for their conduct as directors, except that a corporation may not limit a director's liability for acts or omissions involving intentional misconduct or knowing violation of law, for unlawful distributions, or for any transaction in which the director derived an improper personal financial benefit.

INDEMNIFICATION

The Company. The Company's Certificate provides that the Company shall indemnify to the full extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Company or any predecessor of the Company or serves or served any other enterprise as a director, officer or employee at the request of the Company or any predecessor of the Company. Under Section 145 of the Delaware Code, as currently in effect, other than in actions brought by or in the right of the Company, such indemnification would apply if it were determined in the specific case that the proposed indemnitee acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal proceeding, if such person had no

reasonable cause to believe that the conduct was unlawful. In actions brought by or in the right of the Company, such indemnification probably would be limited to reasonable expenses (including attorneys' fees) and would apply if it were determined in a specific case that the proposed indemnitee acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification may be made with respect to any matter as to which such person is adjudged liable to the Company, unless, and only to the extent that, the court determines upon application that, in view of all the circumstances of the case, the proposed indemnitee is fairly and reasonably entitled to indemnification for such expenses as the court deems proper. To the extent that any director, officer, employee, or agent of the Company has been successful on the merits or otherwise in defense of any action, suit, or proceeding, as discussed herein, whether civil, criminal, administrative, or investigative, such person must be indemnified against reasonable expenses incurred by such person in connection therewith.

ELEKOM. The Bylaws of ELEKOM provide that each person who was, is or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or

officer of ELEKOM or, that being or having been such a director or officer or an employee of ELEKOM, he or she is or was serving at the request of ELEKOM as a director, officer, partner, trustee, employee, or agent of another corporation or of a partnership, joint venture, trust, employee benefit plan or other enterprise (hereinafter an "indemnitee"), whether the basis of a proceeding is alleged action in an official capacity as such a director, officer, partner, trustee, employee or agent or in any other capacity while serving as such a director, officer, partner, trustee, employee or agent, shall be indemnified and held harmless by ELEKOM against all expense, liability and loss (including counsel fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, partner, trustee, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators. This right to indemnification conferred by the Articles is a contract right. No indemnification shall be provided, however, to any such indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnitee finally adjudged to be in violation of Section 23B.08.310 of the WBCA regarding unlawful distributions, for any transaction with respect to which it was finally adjudged that such indemnitee personally received a benefit in money, property or services to which the indemnitee was not legally entitled, or if ELEKOM is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560 relating to shareholder authorized indemnification and advancement of expenses or any successor provision of the WBCA is hereafter amended, the restrictions on indemnification set forth in the Bylaws shall be as set forth in such amended statutory provisions. Unless limited by the corporation's articles of incorporation, the WBCA requires indemnification if the director or officer was wholly successful on the merits of the action or otherwise. Any indemnification of a director in a derivative action must be reported to the shareholders in writing. WBCA also permits a corporation to indemnify its directors and officers for amounts paid in settlement of derivative actions, provided that the director's or officer's conduct does not fall within one of the categories set forth above. The ELEKOM Bylaws provide for indemnification of directors and officers of ELEKOM to the fullest extent permitted by Washington law.

VOTE REQUIRED FOR SHAREHOLDER APPROVAL

The Company. The Company's Bylaws provide that the holders of a majority of the issued and outstanding share of capital stock of the Company entitled to vote at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business at such meeting. Each outstanding share of voting capital stock of the Company shall be entitled to one vote on each matter submitted to a vote at a meeting of the stockholders. Except as otherwise provided by law, the Certificate or the Company's Bylaws, if a quorum is present (i) directors shall be elected by a

plurality of the votes of the shares of capital stock of the Company present in person or represented by proxy at the meeting and entitled to vote on the election of directors, and (ii) the affirmative vote of the holders of a majority of shares of capital stock of the Company present in person or by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders of the Company in all matters other than the election of directors.

ELEKOM. ELEKOM's Bylaws provide that a majority of the votes entitled to be cast on a matter by the holders of shares that, pursuant to the Articles or the Washington Code, are entitled to vote and be counted collectively upon such matter, represented in person or by proxy, shall constitute a quorum of such shares at a meeting of shareholders. Except as provided in the Articles or in the election of directors, each outstanding share entitled to vote with respect to a matter submitted to a meeting of shareholders shall be entitled to one vote upon such matter. If a quorum is present, action on a matter other than the election of directors shall be approved if the votes cast in favor of the action by the shares entitled to vote and be counted collectively upon such matter exceed the votes cast against such action by the shares entitled to vote and be counted collectively thereon, unless the Articles or the Washington Code require a greater number of affirmative votes. The Articles provide that the holder of each share of Series A Preferred Stock and Series B Preferred Stock shall have the right to one vote for each share of ELEKOM Common Stock into which such Series A Preferred Stock and Series B Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of the ELEKOM Common Stock, and shall be entitled to

notice of any shareholders' meeting in accordance with the Bylaws of ELEKOM, and shall be entitled to vote, together with the holders of the ELEKOM Common Stock, with respect to any question upon which the holders of the ELEKOM Common Stock have the right to vote.

MERGERS, CONSOLIDATIONS, AND SALES OF ASSETS

The Company. The Delaware Code generally requires the approval of a majority of the outstanding voting stock of the Company to effect (i) any merger or consolidation with or into any other corporation, (ii) any sale, lease, or exchange of all or substantially all of the Company's property or assets, or (iii) the dissolution of the Company. However, pursuant to the Delaware Code, the Company may enter into a merger transaction without stockholder approval if: (i) the Company is the surviving corporation, (ii) the agreement of merger does not amend in any respect the Company's Certificate, (iii) each share of Company stock outstanding immediately prior to the Effective Time of the merger is to be an identical outstanding or treasury share of the Company after the Effective Time of the merger, and (iv) either no shares of Company Common Stock and no shares, securities, or obligations convertible into such stock are to be issued or delivered under the plan of merger, or the authorized unissued shares or the treasury shares of Company Common Stock to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other shares, securities, or obligations to be issued or delivered under such plan do not exceed 20% of the shares of Company Common Stock outstanding immediately prior to the Effective Time of the merger.

ELEKOM. WBCA provides generally that the Board of Directors must recommend a merger or share exchange to the shareholders, unless the Board of Directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders. Unless the Washington Code or the Articles require a greater vote or a vote by voting groups, the merger or share exchange to be authorized must be approved by each voting group entitled to vote separately on the merger or share exchange by two-thirds of all the votes entitled to be cast on the merger or share exchange by that voting group. However, the Washington Code provides that action by the shareholders of a surviving corporation is not required if: (i) the articles of incorporation of the surviving corporation will not differ, with certain minor exceptions, from its articles of incorporation before the merger; (ii) each shareholder of the surviving corporation whose shares were outstanding immediately before the Effective Time of the merger will hold the same number of shares, with identical designations, preferences, limitations, and relative rights, immediately after the merger; (iii) the number of voting shares outstanding immediately after the merger plus the number of voting shares issuable as a

result of the merger, either by the conversion of securities issued pursuant to the merger or the exercise of rights and warrants issued pursuant to the merger, will not exceed the total number of voting shares of the surviving corporation authorized by its articles of incorporation immediately before the merger; (iv) the number of participating shares outstanding immediately after the merger, plus the number of participating shares issuable as a result of the merger, either by the conversion of securities issued pursuant to the merger or the exercise of rights and warrants issued pursuant to the merger, will not exceed the total number of participating shares authorized by its articles of incorporation immediately before the merger. The Articles of ELEKOM do not provide for a greater vote than two-thirds of the votes entitled to be cast on a merger or share exchange by any voting group.

ACTIONS BY STOCKHOLDERS WITHOUT A MEETING

The Company. The Bylaws of the Company provide that any action which the stockholders of the Company could take at a meeting may be taken without a meeting if one or more written consents, setting forth the action taken, shall be signed, before or after such action, by all the stockholders who would be entitled to vote upon the action at the meeting.

ELEKOM. The Articles of ELEKOM provide that any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting or a vote if either: (i) the action is taken by all shareholders entitled to vote on the action; or (ii) so long as ELEKOM is not a public company, the action is taken by shareholders holding of record, or otherwise entitled to vote, in the aggregate not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which shares entitled to vote on the action were present and voted.

SPECIAL MEETING OF STOCKHOLDERS

The Company. The Company's Bylaws provide that a special meeting of the stockholders of the Company may be called at any time for any purpose or purposes by the Chairman of the Board or the Chief Executive Officer, and shall be called by the Secretary at the written request of, or by resolution adopted by (i) a majority of the Board of Directors or (ii) the holders of a majority of all of the outstanding shares of capital stock of the Company entitled to vote at such meeting, in which case, such request shall state the purpose of the proposed meeting.

ELEKOM. The Bylaws of ELEKOM provide that the Chairman of the Board, the President or the Board of Directors may call special meetings of the shareholders for any purpose. Further, a special meeting of the shareholders shall be held if the holders of not less than 10% of all the votes entitled to be cast on any issue proposed to be considered at such special meeting have dated, signed and delivered to the Secretary of ELEKOM one or more written demands for such meeting, describing the purpose or purposes for which it is to be held.

DIVIDENDS

The Company. The Bylaws of the Company provide that the Board of Directors of the Company may from time to time declare, and the Company may pay, dividends out of its earned surplus on its outstanding shares in the manner and upon the terms and conditions provided by law. The Delaware Code provides that, subject to any restrictions in a corporation's certificate of incorporation, dividends may be declared from the corporation's surplus, or, if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding fiscal year. Dividends may not be declared, however, if the corporation's capital has been diminished to an amount less than the aggregate amount of all capital represented by the issued and outstanding shares of all classes having a preference upon the distribution of assets.

ELEKOM. Under the Washington Code, a corporation may declare and pay dividends unless (i) the corporation would, as a result, become unable to pay its debts as they become due in the usual course of business, or (ii) the corporation's total assets would be less than the sum of its total liabilities plus any preferential rights of shares senior to those receiving distributions. The ELEKOM Articles provide that, so long as any shares of Series B Preferred Stock are outstanding, ELEKOM shall not declare or pay

dividends on the ELEKOM Common Stock without first obtaining the approval of at least a majority of the then outstanding shares of Series B Preferred Stock. In addition, the Articles provide that the holders of record of the outstanding shares of ELEKOM Series A Preferred Stock and ELEKOM Series B Preferred Stock shall be entitled to receive dividends out of any assets of ELEKOM legally available therefor, prior and in preference to any declaration or payment of any dividend on the ELEKOM Common Stock, at the rate of $0.055 per share per annum for the Series A Preferred Stock and Series B Preferred Stock, payable when, as, and if declared by the Board of Directors of ELEKOM. Such dividends shall not be cumulative. After payment of any such dividends, any additional dividends or distributions shall be distributed among all holders of ELEKOM Common Stock and all holders of Series A Preferred Stock and Series B Preferred Stock in proportion to the number of shares of ELEKOM Common Stock which would be held by each such holder if all shares of Series A Preferred Stock and Series B Preferred Stock were converted to ELEKOM Common Stock at the then effective conversion rate. The Articles also provide that, subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the ELEKOM Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of ELEKOM legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

SELECTED HISTORICAL FINANCIAL DATA OF ELEKOM

The selected balance sheet data as of December 31, 1996 and 1997, and for the years then ended are derived from the financial statements of ELEKOM that have been audited by PricewaterhouseCoopers LLP, independent accountants, which are included elsewhere in this Proxy Statement/Prospectus. The statement of operations data for the six months ended June 30, 1998 and 1997, and the balance sheet data as of June 30, 1998, are derived from unaudited financial statements of the Company which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of the financial position and results of operations for these periods. For the periods prior to November 10, 1997 the selected financial data relate to the operations of ELEKOM as a wholly-owned subsidiary of Egghead. The following selected financial data should be read in conjunction with, and are qualified in their entirety by reference to the financial statements of ELEKOM and ELEKOM Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Proxy Statement/Prospectus. The historical results should not be construed to be indicative of future results of operations.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30, 1998	
	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Sales	$ 5	$ 17	$ -0-	$ 376
Cost of sales	-0-	13	-0-	110
Operating expenses:				
Research and development	409	1,172	629	967
Sales and marketing	727	1,425	880	468
General and administrative	1,247	2,001	1,037	488
Total operating expenses	2,383	4,598	2,546	1,923
Operating loss	(2,378)	(4,594)	(2,546)	(1,657)
Other expense (income), net	154	601	268	(46)
Minority interest	-0-	-0-	-0-	-0-
Net loss	$ (2,532)	$ (5,195)	$ (2,814)	$ (1,611)
Basic and diluted net loss per share	$(50,646)	$(103,892)	$(56,280)	$ (2.55)
Weighted average number of common shares outstanding	50	50	50	631,088
Pro forma basic and diluted net loss per share(1)		(0.84)		(0.26)
Pro forma weighted average number of				

common shares outstanding(1).....	6,183,097	6,183,097

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1996	1997	JUNE 30, 1998
			(UNAUDITED)
<S>	<C>	<C>	<C>
BALANCE SHEET DATA:			
Cash and cash equivalents.....	$ 1,683	$2,777	$1,467
Working capital (deficit).....	(3,443)	2,328	624
Total assets.....	2,118	3,214	2,099
Long-term debt, net of current portion.....	157	118	24
Total stockholders' equity (deficit).....	(3,262)	2,575	1,117

</TABLE>

- --------

(1) Given the changes in ELEKOM's capital structure as a result of the 1997 recapitalization and the changes to be effected as a result of the Merger, pro forma earnings per share is presented. Pro forma earnings per share is calculated based on the number of shares of ELEKOM Common Stock and ELEKOM Preferred Stock outstanding at June 30, 1998, and has been adjusted to give effect to the conversion of all shares of preferred stock into common stock that will occur in connection with the Merger. Stock options outstanding at each period end have not been included in the loss per share calculations as their effect is antidilutive.

ELEKOM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

ELEKOM is a development stage enterprise, founded in 1995 as a subsidiary of Egghead. ELEKOM was founded to focus on the development of advanced supplier-independent electronic procurement systems for large enterprises. In 1996, ELEKOM introduced, but never sold, a Lotus Notes-based product, ELETRADE, that was the precurser to the existing ELEKOM Procurement intranet business software. In November 1997, ELEKOM was recapitalized, and a majority of the ownership was sold to outside investors. In connection with the recapitalization, ELEKOM reacquired debt of approximately $6.6 million, and Egghead assumed responsibility for all accounts payable, totaling approximately $174,000 incurred before or on November 4, 1997, in exchange for preferred stock. In connection with the recapitalization, ELEKOM sold preferred stock to outside investors who purchased a majority of the outstanding stock.

The financial statements for all periods prior to November 10, 1997, reflect the results of operations, financial position, and cash flows of ELEKOM as a wholly-owned subsidiary of Egghead and may not be indicative of actual results of operations and financial position of ELEKOM under other ownership. In particular, the statement of operations reflects certain expense items incurred by Egghead which were allocated to ELEKOM on a basis which management believes represents a reasonable allocation of such costs to present ELEKOM as a stand-alone company. These allocations consist primarily of corporate expenses such as executive and other compensation, depreciation of corporate assets, rent expense and legal fees and interest expense on inter-company borrowings. The corporate expenses have been allocated based on an estimate of Egghead personnel time dedicated to the operations and management of ELEKOM. Interest expense has been allocated based on ELEKOM's estimated borrowing rate and actual intercompany borrowings. A summary of these allocations is as follows (in thousands):

<TABLE>
<CAPTION>

	CORPORATE EXPENSE	INTEREST EXPENSE
<S>	<C>	<C>
Year ended December 31, 1996.....	$186	$193
Year ended December 31, 1997.....	$365	$601

</TABLE>

Through 1997 ELEKOM recognized revenue from services in compliance with Statement of Position ("SOP") 91-1 "Software Revenue Recognition." Effective January 1, 1998, ELEKOM adopted SOP 97-2 "Software Revenue Recognition." The adoption of this SOP did not have a significant impact on ELEKOM's financial statements due to its limited revenue. Sales include revenues from product licenses, service fees and maintenance fees. Sales that are prepaid or invoiced, but that do not yet qualify for recognition under SOP 97-2, are reflected as deferred revenues.

Cost of sales includes the costs of license fees, services and maintenance. Cost of license fees includes royalties and software duplication and distribution costs. Cost of services include personnel and related costs. These costs are recognized as services are performed. Cost of maintenance fees include personnel and related costs incurred to provide the ongoing support and maintenance of products. These costs are recognized when incurred.

Research and development expenses consist primarily of personnel costs and subcontractor fees. ELEKOM accounts for software development costs under Statement of Financial Accounting Standards ("SFAS") No. 86 "Accounting For the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Research and development expenses are charged to expense as incurred until technological feasibility is established, after which remaining costs are capitalized. ELEKOM defines technological feasibility as the point in time at which there is a working model of the related product. ELEKOM charges all internal software development costs to expense as incurred.

Sales and marketing expenses consist primarily of salaries, commissions and benefits to sales and marketing personnel, travel, trade show participation, public relations and other promotional expenses.

General and administrative expenses consist primarily of salaries for financial, administrative and management personnel and related travel expenses, as well as occupancy, equipment and other administrative costs, including the expenses allocated from Egghead for the periods through November 1997.

ELEKOM has NOLs of approximately $7.5 million at June 30, 1998, of which approximately $2.9 million were generated in periods in which ELEKOM was a subsidiary of Egghead. The net operating losses will expire beginning in 2012 if not previously utilized. ELEKOM established a valuation allowance equal to the total deferred tax assets. The benefits from these deferred tax assets may be recorded in the future if it is determined that the NOLs can be utilized, which will reduce ELEKOM's effective tax rate for future taxable income. Based upon the ownership changes in November 1997, utilization of $5.2 million of the NOLs is limited to approximately $220,000 per year. If ELEKOM does not realize taxable income in excess of the limitation in future years, certain NOLs will expire. Upon completion of the Merger, the NOL may be further limited.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

SALES

Sales were approximately $376,000 for the six months ended June 30, 1998. ELEKOM had no sales for the six months ended June 30, 1997. During the period ended June 30, 1997, ELEKOM was still in the process of developing the first release of the current product and had ceased marketing the ELETRADE product. Sales for the six months ended June 30, 1998, included (i) product license fees of $329,000, of which $150,000 was attributable to the OEM Agreement with the Company, and (ii) service and maintenance fees of $47,000 related to installation and maintenance of product licensed during the six month period.

COST OF SALES

Cost of sales were approximately $110,000, or 29.3% of sales, for the six months ended June 30, 1998. Elekom had no cost of sales for the six months ended June 30, 1997. Substantially all of the cost of sales relates to costs associated with service and maintenance revenues. Cost of sales as a

percentage of revenues are high due to the low volume of sales relative to the fixed costs required to maintain a technical support organization.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 53.7% to approximately $967,000 for the six months ended June 30, 1998, compared to approximately $629,000 for the six months ended June 30, 1997, primarily as a result of an increase in the number of developers, including outside developers, in conjunction with the continued development of ELEKOM's software.

SALES AND MARKETING

Sales and marketing expenses decreased 46.8% to approximately $468,000 for the six months ended June 30, 1998, compared to approximately $880,000 for the six months ended June 30, 1997. The decrease is a result of the decrease in marketing expenses. In the quarter ended June 30, 1997, ELEKOM incurred significant marketing expenses in connection with the promotion of ELEKOM Procurement 1.0.

GENERAL AND ADMINISTRATIVE

General and administrative expenses decreased 52.9% to approximately $488,000 for the six months ended June 30, 1998, compared to approximately $1.0 million for the six months ended June 30, 1997. This decrease was primarily due to (i) a smaller executive staff in 1998 and (ii) the elimination of administrative services which were previously provided by Egghead.

OTHER INCOME (EXPENSE)

Interest income, net, was approximately $46,000 for the six months ended June 30, 1998. Interest expense, net, was approximately $268,000 for the six months ended June 30, 1997. Interest income for the six months ended June 30, 1998, was generated by the funds available to invest from the November 1997 venture financing. Interest expense for the six months ended June 30, 1997, was incurred on funds advanced by Egghead.

INCOME TAXES

As a result of the operating losses incurred since ELEKOM's inception, ELEKOM has not recorded any provision or benefit for income taxes in the six month periods ended June 30, 1998 and 1997. During the six month period ended June 30, 1997, ELEKOM filed its income tax return as part of the Egghead consolidated group, which also had a loss for the period.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

SALES AND COST OF SALES

Both sales and cost of sales were immaterial for the years ended December 31, 1997 and 1996.

RESEARCH AND DEVELOPMENT

Research and development expenses increased 186.5% to approximately $1.2 million in 1997, compared to approximately $409,000 in 1996. The increase was primarily due to increased staffing for research and development.

SALES AND MARKETING

Sales and marketing expenses increased 96.1% to approximately $1.4 million in 1997, compared to approximately $727,000 in 1996 as a result of the costs associated with increased marketing efforts.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased 60.4% to approximately $2.0 million in 1997 from approximately $1.2 million in 1996. The increase was primarily due to an increase in the amount of allocated expenses from Egghead due to an increase in the number of ELEKOM staff.

INCOME TAXES

As a result of the operating losses incurred since ELEKOM's inception and the fact that Egghead has accumulated net operating losses during the time that ELEKOM filed its income tax return as part of the Egghead consolidated group, ELEKOM has not recorded any provision or benefit for income taxes in 1997 or 1996.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception in August 1995, ELEKOM has been a development stage enterprise and has not generated significant revenues. Funding of operations and investment activities was provided exclusively by Egghead through November 1997, at which time ELEKOM raised $2.5 million from a venture capital equity financing. ELEKOM raised an additional $400,000 of venture capital financing in December 1997. Cash used in operating activities was approximately $1.2 million and $2.7 million during the six months ended June 30, 1998 and 1997, respectively, primarily attributable to the net losses incurred during those periods.

Cash used in investing activities was approximately $186,000 and $44,000 during the six months ended June 30, 1998 and 1997, respectively. The cash used in investing activities during the six months ended June 30, 1998 and June 30, 1997, was primarily attributable to purchases of equipment.

In June 1998, ELEKOM entered into a revolving loan agreement and an equipment line of credit facility with Silicon Valley Bank in the amount of $1.0 million under which ELEKOM can draw on either facility in any proportion up to the aggregate total of $1.0 million. The agreement with Silicon Valley Bank requires ELEKOM to complete additional equity financing of at least $2.0 million prior to December 31, 1998, and to maintain a tangible net worth of at least $500,000 thereafter. Interest on the revolving credit facility and on the equipment facility is at prime plus 0.5% and is collateralized by all of the assets of ELEKOM. The equipment term facility with Silicon Valley Bank will expire on December 31, 1998, and the revolving portion of the facility will expire on September 30, 1999. As of June 30, 1998, the Company had no outstanding balance and had $1.0 million available for future borrowings under this agreement.

ELEKOM had available NOLs of approximately $7.5 million as of June 30, 1998, to reduce future income tax liabilities. These NOLs begin expiring in 2012 and are subject to review and possible adjustment by the appropriate taxing authorities. Pursuant to the Tax Reform Act of 1986, the utilization of NOLs for tax purposes may be subject to an annual limitation if a cumulative change of ownership of more than 50% occurs over a three-year period. As a result of this limitation, ELEKOM will be limited in the use of its NOLs in any given year. ELEKOM had gross deferred tax assets of approximately $2.5 million at June 30, 1998, comprised primarily of NOLs. ELEKOM has fully reserved for these deferred tax assets. Upon completion of the Merger, the NOL may be further limited.

IMPACT OF YEAR 2000

ELEKOM has designed and tested the most current versions of its products to be Year 2000 compliant. There can be no assurances that ELEKOM's current products do not contain undetected errors or defects associated with Year 2000 date functions that may result in material costs to ELEKOM. Some commentators have stated that a significant amount of litigation will arise out of Year 2000 compliance issues, and ELEKOM is aware of a growing number of lawsuits against other software vendors. Because of the unprecedented nature of such litigation, it is uncertain whether or to what extent ELEKOM may be affected by it.

ELEKOM is in the process of determining the extent to which third-party licensed software distributed by ELEKOM is Year 2000 compliant, as well as the impact of any non-compliance on ELEKOM and its customers. Additionally, in the event relational database management systems used with ELEKOM's software are not Year 2000 compliant, there can be no assurance that ELEKOM's customers will be able to continue to use ELEKOM's products. ELEKOM does not currently believe that the effects of any Year 2000 non-compliance in ELEKOM's installed base of software will result in a material adverse impact on ELEKOM's business or financial condition. However, ELEKOM's investigation with respect to third-

party software is in its preliminary stages, and no assurance can be given that ELEKOM will not be exposed to potential claims resulting from system problems associated with the century change or that such claims would not have a material adverse effect on ELEKOM's business, financial condition or results of operations.

With respect to its internal systems, ELEKOM is taking steps to prepare its systems for the Year 2000 date change. ELEKOM expects to substantially complete inventory efforts at the end of calendar year 1998, with remediation and testing to continue through 1999. Although ELEKOM does not believe that it will incur any material costs or experience material disruptions in its business associated with preparing its internal systems for the Year 2000, there can be no assurance that ELEKOM will not experience unanticipated negative consequences and/or material costs caused by undetected errors or defects in the technology used in its internal systems. ELEKOM is currently unable to estimate the most reasonably likely worst case effects of the year 2000 and does not currently have a contingency plan in place for any such unanticipated negative effects.

ELEKOM is currently unable to estimate whether it bears a significant risk of being adversely affected by Year 2000 noncompliance by third parties. During the fourth quarter of 1998, ELEKOM intends to begin contacting third parties with which it has material relationships, including its material customers, to attempt to determine their preparedness with respect to Year 2000 issues and to analyze the risks to ELEKOM in the event

any such third parties experience significant business interruptions as a result of Year 2000 noncompliance. ELEKOM expects to complete this review and analysis and to determine the need for contingency planning in this regard by March 31, 1999.

NEW ACCOUNTING PRONOUNCEMENTS

The American Institute of Certified Public Accountants has issued Statement of Position 97-2, "Software Revenue Recognition." SOP 97-2 supersedes SOP 91-1 and is effective for ELEKOM for transactions entered into after December 31, 1997. ELEKOM adopted SOP 97-2 in the first quarter of 1998. The adoption of SOP 97-2 did not have a significant impact on ELEKOM's consolidated financial statements.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires companies to display, with the same prominence as other financial statements, the components of other comprehensive income. SFAS No. 130 requires that an enterprise classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. SFAS No. 130 is effective for ELEKOM's fiscal year ending December 31, 1998 including interim periods. Reclassification of financial statements for earlier periods provided for comparative purposes is required. ELEKOM's adoption of SFAS No. 130 did not require significant revisions of prior disclosures.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. Early adoption is encouraged. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and transactions involving hedge accounting. ELEKOM does not anticipate this statement will have an impact on its financial statements.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires that an enterprise disclose certain information about operating segments. SFAS No. 131 is effective for financial statements for ELEKOM's fiscal year ending December 31, 1998. ELEKOM will evaluate the need for such disclosures at that time.

BUSINESS OF ELEKOM

GENERAL

ELEKOM is a development stage enterprise engaged in the development of ELEKOM Procurement, an intranet-based application that is designed to streamline the corporate procurement process. ELEKOM believes that its business-to-business commerce solution will provide its customers an application that simplifies corporate procurement procedures, decreases purchasing overhead costs and streamlines purchasing from multiple suppliers.

ELEKOM Procurement is designed to automate the creation, routing, approval and transaction functions for purchase requests and orders of non-production goods and services by creating a localized database of available products and services and providing ELEKOM's customers with Internet links to suppliers to review more detailed supplier and product information. Once deployed at a customer site, ELEKOM Procurement will automate the procurement process for non-production goods and services from requisition creation and approval routing to electronic placement of orders with suppliers. The system is designed to allow transaction communication through standard communications methods including facsimile, E-mail and EDI. In addition to the web-based end user application, ELEKOM believes that ELEKOM Procurement will reduce the IT burden associated with installation, implementation, deployment and maintenance of the application through a suite of administrative tools.

Using intranet and Internet based technology, ELEKOM Procurement is designed to provide users with increased control over their purchasing processes. Traditionally, purchasing of non-production goods and services, including computer hardware and software and office supplies, has been an inefficient, paper intensive process. ELEKOM believes that ELEKOM Procurement will streamline and automate a company's procurement operations, reduce processing costs, improve procurement effectiveness and discourage users from purchasing outside of a customer's approved procedures.

INDUSTRY BACKGROUND

The electronic procurement industry is a relatively new and rapidly changing industry that has developed as a result of the acceptance of new technologies in recent years. Traditionally, the procurement process is handled through client server and mainframe applications that support corporate buyers and manual requisition routing and approval processes to support front line employees. The current procurement process in many organizations consists of the completion of a paper-based requisition form, routing of the request to a supervisor for his or her approval and further routing of the paper through other points of authorization within the organization, depending on the goods and/or services requested. Once fully approved, a purchase order is created to purchase the goods and/or services previously requisitioned.

In addition to the inefficiency and expense associated with manual processes, the traditional systems largely fail to connect requisitioners with supplier information. With the growing popularity of business intranets and the increased use of the Internet as a business tool, these limitations can be addressed through new web-based applications. Electronic procurement systems offer the potential for a rapid return on investment due to reduced process costs and increased ordering through approved suppliers at a reduced price. ELEKOM believes that the availability of such returns creates a significant business opportunity to provide customers with electronic procurement solutions.

THE ELEKOM SOLUTION

ELEKOM is one of the first companies in the market to develop an intranet-based electronic procurement software specifically focused on non-production goods and services. ELEKOM Procurement is designed for ease of use and allows users to generate requests based on selection via electronic catalogs. The software is designed to allow the system administrator to create business rules to support approval routing as required by the customer organization. Requisitions created by the system can be transmitted to suppliers via E-mail, fax or by EDI.

STRATEGY

ELEKOM's near-term objective is to continue to develop and enhance the functionality of ELEKOM Procurement. In the future, ELEKOM expects to address

other business procedures that require request routing and approval. The key elements of the strategy are (i) to capitalize on the rapid growth of Microsoft Windows NT and Microsoft SQL Server in the market, and (ii) to provide software that is easy to implement, administer and use in an effort to reduce the total cost of ownership.

As part of its strategy, ELEKOM intends to develop a standard set of application programming interfaces to integrate with its customers' existing systems. Additionally, ELEKOM continues to cultivate relationships with suppliers and business partners.

TECHNOLOGY

ELEKOM Procurement is designed with a three-tier architecture. A three-tier architecture separates business rules and logic from the user interface and the database back-end, allowing the distribution of processing loads across numerous servers and workstations.

ELEKOM's software is comprised of the ELEKOM Procurement Client, ELEKOM Application server, and the database server running on Microsoft SQL Server 6.5 on Microsoft NT 4.0. In addition, it consists of two administration applications: ELEKOM Enterprise Manager and ELEKOM Catalog Manager. The intended functionality of each of these elements is described below:

. ELEKOM PROCUREMENT CLIENT: Users access ELEKOM Procurement through a web browser. Upon logging into ELEKOM Procurement, the ActiveX components are downloaded onto the client workstation as needed, and client web pages are rendered by the browser.

. ELEKOM APPLICATION SERVER: The Application server contains ELEKOM Procurement's business rules and logic, communicates with the client browser, and manages approval notification, report generation, and order placement. It includes ELEKOM Procurement web pages and the ELEKOM Procurement Server program and it utilizes the capabilities and services of Microsoft Internet Information Server(TM) ("IIS").

. DATABASE SERVER: Users access the database server through the ELEKOM Procurement Client to create and manage requisition and purchase order data. The database server runs Microsoft SQL Server 6.5.

. ADMINISTRATION APPLICATIONS: The enterprise, user, supplier and catalog portions of the database are configured and maintained with ELEKOM Enterprise Manager and ELEKOM Catalog Manager running on an administrator client workstation or on the application server with access to the database server.

PRODUCTS

ELEKOM Procurement is designed to automate the creation, routing, approval and transaction functions for purchase requests and orders of non-production goods and services by (i) creating a localized database of available products and services (the ELEKOM Procurement catalog) for intranet browsing and (ii) providing Internet links to suppliers to review more detailed supplier and product information. Once deployed at a customer site, ELEKOM Procurement will automate the procurement process for non-production goods and services, from requisition creation and automatic approval routing to electronically placing orders with suppliers. The system is designed to allow transaction communication through standard methods such as E-mails and EDI, and administrator utilities are designed to provide easy maintenance of the database and system processes.

ELEKOM Procurement contains the following components:

. ELEKOM PROCUREMENT consists of Active Server Pages (ASP) with ActiveX controls, reporting software, and ELEKOM Procurement Help for the client. A browser provides the interface to web pages for browsing the ELEKOM Procurement catalog, creating paperless requisitions, approving purchase requests, receiving and accepting shipments, and generating reports. Users can track the status of orders throughout the process.

. ELEKOM PROCUREMENT DATABASE contains all enterprise, user, supplier, catalog, and order data.

. ELEKOM PROCUREMENT SERVER generates approval routing paths for requisitions, sends e-mail notifications, and transmits orders to suppliers.

. ELEKOM ENTERPRISE MANAGER lets administrators configure and maintain user, supplier, organization, group, and business rules data stored in the ELEKOM Procurement database.

. ELEKOM CATALOG MANAGER lets administrators set up and maintain the ELEKOM Procurement catalog, which contains the catalog items from all suppliers and is stored in the ELEKOM Procurement database.

CUSTOMERS

ELEKOM's principal customers include MasterCard International, the Company and the Chamberlain Group. ELEKOM believes that the loss of any one of these customers could have a material adverse effect on its business, financial condition and results of operations.

SALES AND MARKETING

ELEKOM's sales strategy is based on building its geographically distributed sales force and developing relationships with indirect channel partners. ELEKOM's sales force is a geographically-distributed direct sales force with indirect channel partners. ELEKOM's direct sales force focuses on leads generated through ELEKOM's marketing efforts and will contact customers to generate new business activity. ELEKOM intends to solicit indirect channel partners who have existing relationships with customers who may view ELEKOM's software as a significant value-added application. Given the early stage of the electronic procurement market, ELEKOM's marketing efforts have focused on market awareness and lead generation through its participation in industry trade shows, customer seminar series and direct contact with key industry analysts. ELEKOM also intends to enhance its sales collateral materials to better support its growing direct sales force.

PROFESSIONAL SERVICES AND CUSTOMER SUPPORT

ELEKOM's professional services include project planning, software installation, configuration and supplier set-up. ELEKOM will also seek to develop relationships with key consulting organizations who can assist ELEKOM in identifying new business opportunities and provide product related services to ELEKOM customers. ELEKOM intends to increase the level of post-sales customer support based on the future growth in its customer base.

RESEARCH AND DEVELOPMENT

As a development stage company, ELEKOM spends a significant portion of its annual budget on product development. ELEKOM employs developers, test engineers and product managers in its product development area. In addition, ELEKOM commits resources to the review of third-party technologies that may enhance the ELEKOM product.

COMPETITION

ELEKOM's primary competitors include other electronic procurement providers such as ARIBA, CommerceOne, Trade'ex, Intelisys and Trilogy. ELEKOM also faces competition from larger corporations, such as Netscape and Harbinger, which have entered the electronic procurement market. In addition, ELEKOM believes it will experience increased competition from travel and expense software companies, such as Extensity, Captura and Concur (formerly Portable Software), which recently acquired 7Software, a direct competitor. In addition, ELEKOM anticipates that some of the large enterprise resource planning software vendors, such as SAP, which recently announced SAP Business-to-Business Procurement solution with expected availability in the fourth quarter of 1998. Other potential competitors in this category include Oracle, PeopleSoft, and Baan. Other companies who have a stated interest in electronic procurement include Microsoft Corporation, IBM, Aspect Development and Requisite Technologies.

PROPRIETARY RIGHTS AND LICENSING

ELEKOM's success depends significantly on its internally developed intellectual property and intellectual property licensed from others. ELEKOM relies primarily on a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures and license arrangements to establish and protect its proprietary rights in its software.

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

ELEKOM has in the past licensed and may in the future license on a non-exclusive basis third-party software from third parties for use and distribution with ELEKOM's applications. ELEKOM has entered into agreements with third party licensors with customary warranty, software maintenance and infringement indemnification terms. There can be no assurance, however, that these measures will adequately protect its proprietary rights.

EMPLOYEES

As of June 30, 1998, ELEKOM had a total of 36 full-time employees, all of whom were based in the United States. Of the total, eight were employed in sales, two in implementation services, 17 in research and development, one in customer support, six in finance, administration and operations, and two in marketing.

FACILITIES

ELEKOM's corporate office and principal facility is located in Bellevue, Washington, where ELEKOM leases approximately 13,000 square feet of office space. The lease commenced in July 1998 and expires in October 2000. The lease requires monthly payments of approximately $23,000. This facility accommodates all functions of ELEKOM except its regional sales. ELEKOM's regional sales representatives work from home offices.

LEGAL PROCEEDINGS

ELEKOM and Egghead have initiated a lawsuit against Casahl Technology, Inc. ("Casahl") pending under Case No. 987331 in the Superior Court of California for the County of San Francisco ("Casahl Litigation") involving an agreement between Casahl and ELEKOM. Casahl has counterclaimed against the plaintiffs. At the time that Egghead reduced its equity share in ELEKOM in November 1997, Egghead undertook certain of ELEKOM's obligations with respect to the Casahl Litigation. Since November 1997, Egghead has paid all attorneys' fees and costs of ELEKOM in the Casahl Litigation. To the extent ELEKOM incurs after the Closing any liability or attorneys' fees or costs that Egghead does not pay, then the Company and Clarus CSA may assert claims against the Escrowed Funds and may assert claims against the holders of ELEKOM Preferred Stock based on their indemnification obligations under the Escrow and Indemnity Agreement. Although ELEKOM does not anticipate that it will incur any liability or suffer any losses relating to the Casahl Litigation that Egghead would not pay, there can be no assurance that this litigation will not have a material adverse effect on ELEKOM's business, results of operations and financial condition.

ELEKOM PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of ELEKOM's capital stock as of July 31, 1998, by: (i) each beneficial owner of more than 5% of the capital stock of ELEKOM; (ii) each of ELEKOM's directors; (iii) each executive officer who is a beneficial owner of ELEKOM capital stock; and (iv) all executive officers and directors as a group.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	SHARES OF ELEKOM COMMON STOCK BENEFICIALLY OWNED PRIOR TO MERGER(1)(2) NUMBER	PERCENT(2)	SHARES OF ELEKOM PREFERRED STOCK BENEFICIALLY OWNED PRIOR TO MERGER(1)(2) NUMBER	PERCENT	SHARES OF COMPANY COMMON STOCK BENEFICIALLY OWNED FOLLOWING MERGER(3) NUMBER	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Hummer Winblad Venture Partners III, L.P.(4)..	--	--	1,742,736	32.8%		
Hummer Winblad Technology Fund III, L.P.(4).....	--	--	91,723	1.7%		*
Olympic Venture Partner IV, L.P.(5).....	--	--	1,161,824	21.9%		
OVP IV Entrepreneurs Fund, L.P.(5).....	--	--	61,149	21.9%		
Egghead, Inc.(6).....	50	*	1,528,715	28.8%		
Norman N. Behar(7).....	536,151	57.6%	587,027	11.1%		*
John Hummer(4).....	--	--	1,834,459	34.6%		
Gerard Langeler(5).....	--	--	1,222,973	23.0%		
Jonathan Lazarus(8).....	50,265	5.4%	134,000	2.5%		*
George Orban(6).....	1,285	*	1,528,715	28.8%		
Officers and Directors as a Group (6 persons).	672,651	72.3%	5,307,174	100%		

</TABLE>

- --------

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock issuable by the Company pursuant to options held by the respective person or group which may be exercised within 60 days after July 31, 1998 ("Presently Exercisable Options"). Except as otherwise indicated, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name.

(2) For purposes of calculating the percentage beneficially owned, the number of shares deemed outstanding before the Merger are the shares outstanding as of July 31, 1998. The number of shares deemed outstanding after the Merger includes Company Common Stock being offered hereby. Presently Exercisable Options are deemed to be outstanding and to be beneficially owned by the person or group holding such options for the purpose of computing the percentage ownership of such person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(3) The shares of the Company Common Stock beneficially owned following the Merger are calculated assuming there will be approximately [ ] shares of the Company Common Stock outstanding immediately after the Merger and by applying the liquidation preferences for the ELEKOM Common Stock and the ELEKOM Preferred Stock, as applicable, as set forth in ELEKOM's Articles of Incorporation. The table above assumes that each of the ELEKOM Shareholders has made a Pro Rata Election with respect to the Merger Consideration and that the Closing Price for a share of the Company Common Stock is $[ ]. See "The Merger--Basic Terms of the Merger."

(4) Includes 91,723 shares of Series B Stock owned by Hummer Winblad Technology Fund III, L.P. and 1,742,736 shares of Series B Stock owned by Hummer Winblad Venture Partners III, L.P. John Hummer is a limited partner of both funds and disclaims any beneficial ownership of such shares. Hummer Winblad Venture Partners III, L.P. address is 2 South Park, 2nd Floor, San Francisco, CA, 94107.

(5) Includes 1,161,824 shares of Series B Stock owned by Olympic Venture Partners IV, L.P. and 61,149 shares of Series B Stock owned by OVP IV Entrepreneur Fund, L.P. Mr. Langeler is the Managing Member of the General Partner, OVMC IV, LLC, of both limited partnerships. Mr. Langeler disclaims beneficial ownership of all such shares. Olympic Ventre Partner IV, L.P. and Olympic Entrepreneur Fund, L.P. address is 2420 Carillon Point, Kirkland, WA 98033.

(6) Includes presently exerciseable Options to purchase 1,235 shares of ELEKOM Common Stock which are exercisable by Mr. Orban within sixty days

following September 4, 1998. Also includes 50 shares of ELEKOM Common Stock and 1,528,715 shares of Series B Stock owned by Egghead over which Mr. Orban has voting control. Mr. Orban disclaims beneficial ownership of the shares owned by Egghead. Egghead's address is 22705 E. Mission, Liberty Lake, WA 99019.

(7) Includes 469,133 shares of ELEKOM Common Stock that are subject to repurchase by ELEKOM.

(8) Includes 134,000 Series B Preferred Stock owned by the Lazarus Family Investments, LLC.

EXPERTS

The audited consolidated financial statements and schedule of the Company as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 included in this Proxy Statement/Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report thereto and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The financial statements of ELEKOM Corporation as of December 31, 1997 and 1996 and for the years ended December 31, 1997 and 1996 and for the period from August 7, 1995 (inception) through December 31, 1997 included in this Proxy Statement/Prospectus have been so included in reliance on the report (which includes an explanatory paragraph relating to the ability of ELEKOM Corporation to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

OPINIONS

The legality of the shares of the Company's Common Stock to be issued in the Merger will be passed on by Womble Carlyle Sandridge & Rice, PLLC, Atlanta, Georgia. Certain tax consequences to ELEKOM Shareholders will be passed upon by Perkins Coie LLP.

INDEX TO FINANCIAL STATEMENTS

<TABLE>
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SQL Financials International, Inc.
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of SQL FINANCIALS INTERNATIONAL, INC. (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1996 and 1997 and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SQL Financials International, Inc. and subsidiaries as of December 31, 1996 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Atlanta, Georgia
February 19, 1998 (except with respect to the matter discussed in Note 12 to which the date is March 31, 1998)

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SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1996 AND 1997
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
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	1996	1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,279	$ 7,213
Accounts receivable, less allowance for doubtful accounts and returns of $634 and $338 in 1996 and 1997, respectively	1,971	4,050
Accounts receivable--related party	19	2
Prepaids and other current assets	90	492
Total current assets	5,359	11,757

PROPERTY AND EQUIPMENT:		
Furniture and equipment	2,176	3,094
Leasehold improvements	215	280
Total property and equipment	2,391	3,374
Less accumulated depreciation	(1,181)	(1,867)
Property and equipment, net	1,210	1,507
OTHER ASSETS:		
Intangible assets, net of accumulated amortization of $561 and $1,127 in 1996 and 1997, respectively	1,783	1,267
Deposits and other long-term assets	173	150
Total other assets	1,956	1,417
Total assets	$ 8,525	$14,681

</TABLE>

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

SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS--(CONTINUED)

DECEMBER 31, 1996 AND 1997
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,003	$ 4,598
Accounts payable--related party	279	54
Short-term debt	958	0
Deferred revenue	4,686	5,717
Current maturities of long-term debt	855	1,841
Total current liabilities	8,781	12,210
NONCURRENT LIABILITIES:		
Deferred revenue	3,333	4,480
Long-term debt, net of current maturities,	1,093	497
Other noncurrent liabilities	63	49
Total liabilities	13,270	17,236
COMMITMENTS AND CONTINGENCIES (Note 10)		
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	17	243
REDEEMABLE CONVERTIBLE PREFERRED STOCK:		
Series A, 262,500 shares issued and outstanding in 1996 and 1997,	1,050	1,050
Series B, 454,888 shares issued and outstanding in 1996 and 1997,	3,025	3,025
Series C, 428,572 shares issued and outstanding in 1996 and 1997,	3,000	3,000
Series D, 701,755 shares issued and outstanding in 1996 and 1997,	6,000	6,000
Series E, 697,675 shares issued and outstanding in 1996 and 1997,	6,000	6,000
Series F, 0 and 628,809 shares issued and outstanding in 1996 and 1997,	0	6,037
Total redeemable convertible preferred stock	19,075	25,112

STOCKHOLDERS' DEFICIT:		
Preferred stock, $1 par value; 3,000,000 and 3,500,000 shares authorized in 1996 and 1997, respectively; 2,545,390 and 3,174,199 shares of redeemable convertible preferred stock issued and outstanding in 1996 and 1997, respectively	0	0
Common stock, $.0001 par value; 6,750,000 and 9,000,000 shares authorized in 1996 and 1997, respectively; 2,185,348 and 1,467,160 shares issued in 1996 and 1997, respectively	0	0
Additional paid in capital	472	489
Accumulated deficit	(23,859)	(28,019)
Warrants	612	652
Less treasury stock, at cost	(302)	(2)
Note from stockholder	(612)	(612)
Deferred compensation	(148)	(418)
Total stockholders' deficit	(23,837)	(27,910)
Total liabilities and stockholders' deficit	$ 8,525	$ 14,681

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

SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	1995	1996	1997
REVENUES:			
License fees	$ 5,232	$ 6,425	$13,506
Services fees	1,737	3,984	7,786
Maintenance fees	1,221	2,647	4,696
Total revenues	8,190	13,056	25,988
COST OF REVENUES:			
License fees	291	416	1,205
Services fees	1,421	2,904	5,402
Maintenance fees	655	1,350	1,973
Total cost of revenues	2,367	4,670	8,580
OPERATING EXPENSES:			
Research and development	3,882	5,777	7,190
Sales and marketing	6,636	7,191	9,515
General and administrative	3,292	3,076	4,061
Total operating expenses	13,810	16,044	20,766
OPERATING LOSS	(7,987)	(7,658)	(3,358)
INTEREST EXPENSE, net	2	6	274
MINORITY INTEREST	(60)	(215)	(478)
NET LOSS	$(8,049)	$(7,879)	$(4,110)
BASIC AND DILUTED NET LOSS PER SHARE	$ (6.19)	$ (5.74)	$ (2.97)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,300	1,373	1,386

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

SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(IN THOUSANDS)

<TABLE>
<CAPTION>

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY WARRANTS	NOTE FROM STOCK	DEFERRED STOCKHOLDER AMOUNT	COMPENSATION	TOTAL STOCKHOLDERS' DEFICIT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1994	1,710	$ 0	$ 7	$ (7,825)	$ 0	(810)	$(302)	$(612)	$ 0	$ (8,732)
Issuance costs, redeemable convertible preferred stock, Series D	0	0	0	(72)	0	0	0	0	0	(72)
Issuance of common stock	465	0	310	0	0	0	0	0	0	310
Exercise of stock options	6	0	4	0	0	0	0	0	0	4
Conversion of redeemable convertible preferred stock into warrants	0	0	0	0	612	0	0	0	0	612
Net loss	0	0	0	(8,049)	0	0	0	0	0	(8,049)
BALANCE, December 31, 1995	2,181	0	321	(15,946)	612	(810)	(302)	(612)	0	(15,927)
Issuance costs, redeemable convertible preferred stock, Series E	0	0	0	(34)	0	0	0	0	0	(34)
Issuance of stock options	0	0	148	0	0	0	0	0	(148)	0
Exercise of stock options	4	0	3	0	0	0	0	0	0	3
Net loss	0	0	0	(7,879)	0	0	0	0	0	(7,879)
BALANCE, December 31, 1996	2,185	0	472	(23,859)	612	(810)	(302)	(612)	(148)	(23,837)
Issuance costs, redeemable convertible preferred stock, Series F	0	0	0	(50)	0	0	0	0	0	(50)
Issuance of warrants	0	0	0	0	40	0	0	0	0	40
Unamortized debt discount	0	0	(22)	0	0	0	0	0	0	(22)
Issuance of stock options	0	0	328	0	0	0	0	0	(328)	0
Amortization of deferred compensation	0	0	0	0	0	0	0	0	58	58
Retirement of treasury stock	(735)	0	(300)	0	0	735	300	0	0	0
Exercise of stock options	17	0	11	0	0	0	0	0	0	11
Net loss	0	0	0	(4,110)	0	0	0	0	0	(4,110)
BALANCE, December 31, 1997	1,467	$ 0	$489	$(28,019)	$652	(75)	$ (2)	$(612)	$(418)	$(27,910)

</TABLE>

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

SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

<TABLE>
<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net loss	$(8,049)	$(7,879)	$(4,110)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	428	1,125	1,406
Minority interest	60	216	478
Amortization of debt discount	0	0	18
Deferred compensation	0	0	58
Loss on sale of property and equipment	0	0	46
Changes in operating assets and liabilities:			
Accounts receivable	(1,510)	(352)	(2,062)
Prepaids and other current assets	107	(31)	(402)
Deposits and other long-term assets	(106)	(22)	23
Accounts payable and accrued liabilities	1,676	3	2,370
Deferred revenue	2,644	4,180	2,178
Other noncurrent liabilities	8	(53)	(14)
Total adjustments	3,307	5,066	4,099
Net cash used in operating activities	(4,742)	(2,813)	(11)
INVESTING ACTIVITIES:			
Purchases of property and equipment	(598)	(958)	(1,193)
Proceeds from sale of property and equipment	0	0	10
Purchases of intangible assets	(316)	(2,000)	(50)
Net cash used in investing activities	(914)	(2,958)	(1,233)
FINANCING ACTIVITIES:			
Proceeds from issuance of redeemable convertible preferred stock	5,927	5,966	5,987
Proceeds from issuance of common stock	314	3	11
Proceeds from notes payable and short-term borrowings, net	556	2,472	859
Repayments of notes payable and short-term borrowings	(275)	(490)	(1,427)
Proceeds from preferred stock bridge financing	2,750	0	2,000
Repayment of preferred stock bridge financing	(750)	(2,000)	(2,000)
Repayment of note receivable from holder of minority interest	0	0	38
Dividends paid to holder of minority interest	(25)	(234)	(290)
Net cash provided by financing activities	8,497	5,717	5,178
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,841	(54)	3,934
CASH AND CASH EQUIVALENTS, beginning of year	492	3,333	3,279
CASH AND CASH EQUIVALENTS, end of year	$ 3,333	$ 3,279	$ 7,213
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Cash paid for interest	$ 126	$ 153	$ 330

</TABLE>

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

SQL FINANCIALS INTERNATIONAL, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1996, AND 1997

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

SQL Financials International, Inc. (the "Company") was incorporated in the state of Delaware on November 20, 1991. The Company develops, markets, and supports client/server financial software applications and markets its products under the trade name SQL Financials throughout the United States and Canada. The Company provides installation and implementation services through its majority-owned subsidiary, SQL Financial Services, LLC (the "Services Subsidiary") and is the sole owner of SQL Financials Europe, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Minority Interest

Minority interest represents the 20% ownership interest in the Services Subsidiary (Note 3).

Use of Estimates

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

History of Operating Losses

The Company has incurred significant net losses in each year since its formation. As of December 31, 1997, the Company had an accumulated deficit of approximately $28.0 million. These losses have occurred, in part, because of the substantial costs incurred by the Company to develop its products, expand its product research, and hire and train its direct sales force. Although the Company has achieved recent revenue growth and profitability for the quarters ended September 30, 1997 and December 31, 1997, there can be no assurance that the Company will be able to generate the substantial additional growth in revenues that will be necessary to sustain profitability. The Company plans to continue to increase its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts, broaden its customer support capabilities and expand its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not offset by increased revenues, the Company's business, results of operations and financial condition would be materially adversely affected. The Company's financial prospects must be considered in light of the risks, costs and difficulties frequently encountered by emerging companies, particularly companies in the competitive financial software industry.

Reclassification

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

Fair Value of Financial Instruments

The book values of cash, trade accounts receivable, trade accounts payable, and other financial instruments approximate their fair values principally because of the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for debt with similar terms and maturities. Under this method, the Company's fair value of financial instruments was not materially different from the stated value at December 31, 1996 and 1997.

Credit and Concentrations of Product Risk

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. The credit risk is mitigated by the large number of customers comprising the customer base.

Substantially all of the Company's product revenues are derived from sales of its financial applications. Increased market acceptance of the Company's product family is critical to the Company's ability to increase sales and thereby sustain profitability. Any factor adversely affecting sales or pricing levels of these applications will have a material adverse effect on the Company's business, results of operations, and financial condition.

Revenue Recognition

Revenues from license fees are recognized upon delivery of the product if there are no significant post-delivery obligations. Revenues from services fees are recognized as the services are performed. Maintenance fees relate to customer maintenance and support and are recognized ratably over the term of the software support services agreement, which is typically 12 months.

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

Deferred Revenues

Deferred revenues at December 31, 1996 and 1997 were as follows (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Deferred revenues:		
Deferred license fees	$1,662	$ 1,027
Deferred services fees	336	127
Deferred maintenance fees	6,021	9,043
Total deferred revenues	8,019	10,197
Less current portion	4,686	5,717
Noncurrent deferred revenues	$3,333	$ 4,480

</TABLE>

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

Property and Equipment

Property and equipment consist of furniture, computers, other office equipment, purchased software, and leasehold improvements. These assets are depreciated on a straight-line basis over a two-, three-, or five-year life. Improvements are amortized over the term of the lease. Depreciation expense for the years ended December 31, 1995, 1996, and 1997 was $370,000, $640,000, and $840,000, respectively.

Product Returns and Warranties

The Company provides warranties for its products after the software is purchased for the period in which the customer maintains the Company's support of the product. The Company generally supports only current releases and the immediately prior releases of its products. The Company's license agreements generally do not permit product returns by its customers. The Company provides for the costs of product returns and warranties at the time of sale. The Company recorded a provision for the cost of product returns in the allowance for doubtful accounts in the accompanying balance sheets at December 31, 1997 and 1996. The Company has not experienced significant warranty claims to date, and has therefore provided no reserve for warranty costs at December 31, 1997 and 1996.

Intangible Assets

Intangible assets include goodwill, and purchased software licensing rights. Goodwill in the amount of approximately $290,000, resulting from the excess of the purchase price over the value of the assets acquired and liabilities assumed in the purchase of the 80% interest in the Services Subsidiary (Note 3) in 1995, is being amortized on a straight-line basis over a period of 60 months.

In 1996, the Company entered into a license and private label agreement to purchase a nonexclusive and perpetual license for human resource, payroll, and benefits software. The agreement allows the Company to modify and enhance the software and to license these software products to its customers. The purchase price of $2,000,000 is included in intangible assets and is being amortized on a straight-line basis over the estimated useful life of 48 months. Amortization expense related to the agreement for the years ended December 31, 1995, 1996, and 1997 was approximately $0, $417,000, and $500,000, respectively. The amortization expense related to the agreement is included in research and development expense in the accompanying consolidated statements of operations.

Total amortization expense relating to all intangibles was $58,000, $485,000, and $566,000 for the years ended December 31, 1995, 1996, and 1997, respectively.

Capitalized Software Development Costs

Internal research and development expenses are charged to expense as incurred. Computer software development costs are charged to research and development expense until technological feasibility is established; after which, remaining software production costs are capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." The Company has defined technological feasibility as the point in time at which the Company has a working model of the related product. Historically, the internal development costs incurred during the period between the achievement of technological feasibility and the point at which the product is available for general release to customers have not been material. Accordingly, the Company has concluded that the amount of internal development costs capitalizable under the provisions of SFAS No. 86 was not material to the financial statements for the years ended December 31, 1995, 1996, and 1997. Therefore, the Company has charged all internal software development costs to expense as incurred for the years ended December 31, 1995, 1996, and 1997.

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

Impairment of Long-Lived and Intangible Assets

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

The Company periodically reviews the value assigned to goodwill and intangible assets to determine whether events and circumstances have occurred which indicate that the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill may not be recoverable. The Company uses an estimate of undiscounted cash flows over the remaining life of the goodwill and other intangible assets in measuring whether the goodwill and other intangible assets are recoverable.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the following as of December 31, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Accounts payable	$ 261	$ 973
Accrued taxes, other than income taxes	204	396
Accrued compensation, benefits, and commissions	865	1,636
Accrued other	673	1,593
	$2,003	$4,598

</TABLE>

Historical Net Loss Per Share

Historical basic and diluted net loss per share was computed in accordance with SFAS No. 128, "Earnings per Share," using the weighted average number of common shares outstanding. Historical basic and diluted net loss per share does not include the impact of common stock equivalents, including redeemable convertible preferred stock, as their effect would be antidilutive.

Net loss for basic and diluted earnings per share are the same for basic and diluted earnings per share; therefore, no reconciliation of the numerator is presented.

Stock Based Compensation Plan

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

New Accounting Pronouncements

The American Institute of Certified Public Accountants has issued a Statement of Position ("SOP") 97-2, "Software Revenue Recognition." SOP 97-2 supersedes SOP 91-1 "Software Revenue Recognition," and is effective for the Company for transactions entered into after December 31, 1997. The Company will adopt SOP 97-2 in the first quarter of 1998. The adoption of the standards in the statement is not expected to have a significant impact on the

Company's consolidated financial statements.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 is designed to improve the reporting of changes in equity from period to period. SFAS No. 130 is effective for the Company's fiscal year ending December 31, 1998. The Company will adopt SFAS No. 130 for fiscal 1998. Management does not expect SFAS No. 130 to have a significant impact on the Company's financial statements.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 requires that an enterprise disclose certain information about operating segments. SFAS No. 131 is effective for financial statements for the Company's fiscal year ending December 31, 1998. The Company does not expect that SFAS No. 131 will require revision of prior disclosures.

2. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1995, 1996, and 1997, the Company engaged in a number of transactions with McCall Consulting Group, Inc. ("McCall Consulting Group") and Technology Ventures LLC ("Technology Ventures"), entities controlled by Joseph S. McCall, an officer and director of the Company (the "Officer"). In the opinion of management, the rates, terms and considerations of the transactions with related parties approximate those with nonrelated entities.

During the years ended December 31, 1995, 1996 and 1997, McCall Consulting Group provided the following for the Company: temporary help by administrative employees and third-party contract labor services, the lease of office equipment and office space and services in connection with the Company's sales process.

During the years ended December 31, 1996 and 1997, Technology Ventures provided recruiting and administrative services to the Company.

Expenses relating to services provided by McCall Consulting Group were as follows for the years ended December 31, 1995, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Contract labor expense:			
Implementation expense	$ 150	$ 0	$ 0
Research and development	386	1,250	1,450
Commissions expense	495	0	0
Administrative services	25	22	38
Office rental expense	0	96	71
Training	70	37	19
Software and equipment purchases and rental expense	0	24	33
Total	$1,126	$1,429	$1,611

</TABLE>

Amounts owed related to services provided by McCall Consulting Group were as follows as of December 31, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Accounts payable and accrued liabilities	$234	$52

Accounts receivable	$ 19 $ 2

</TABLE>

Expenses relating to services provided by Technology Ventures were as follows for the years ended December 31, 1995, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Recruiting services	$ 0	$339	$ 0
Administrative services	19	23	23
Total	$19	$362	$23

</TABLE>

Amounts owed related to services provided by Technology Ventures were as follows as of December 31, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Accounts payable and accrued liabilities	$45	$ 2

</TABLE>

3. SQL FINANCIAL SERVICES, LLC

On March 9, 1995, the Company issued 450,000 shares of common stock to acquire certain intellectual property rights and tangible assets valued at $300,000 from Technology Ventures, a related party controlled by the Officer. Subsequent to the acquisition, the Company and Technology Ventures formed a subsidiary, the Services Subsidiary, which is 80%-owned by the Company. The Company contributed the acquired intellectual property rights and tangible assets to the Services Subsidiary. Technology Ventures acquired the remaining 20% interest in the Services Subsidiary in exchange for a $75,000 note bearing interest at 7.74%, payable annually, with the principal due in a lump sum payment in March 2000. As of December 31, 1996 and 1997, the note was reflected as a reduction of minority interest in consolidated subsidiary. The Services Subsidiary provides implementation services for the Company's software applications. The Services Subsidiary had income of approximately $299,000, $1,080,000 and $2,390,000 for the years ended December 31, 1995, 1996 and 1997, respectively. The Services Subsidiary distributed dividends of approximately $125,000, $1,169,000 and $1,448,000 during the years ended December 31, 1995, 1996 and 1997, respectively, to the Company and the related-party minority interest holder. Subsequent to December 31, 1997, the minority interest in the Services Subsidiary was purchased by the Company. See Note 11.

4. INCOME TAXES

The Company files a consolidated tax return with its majority owned subsidiaries. The components of the income tax provision (benefit) for the

years ended December 31, 1995, 1996 and 1997 are as follows (in thousands):

<TABLE>
<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Current:			
Federal	$ 0	$ 0	$ 0
State	0	0	0
	0	0	0
Deferred:			
Federal	(2,542)	(2,494)	(1,287)
State	(477)	(468)	(241)
	(3,019)	(2,962)	(1,528)
Valuation allowance	3,019	2,962	1,528
Total	$ 0	$ 0	$ 0

</TABLE>

The following is a summary of the items which caused recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 1995, 1996, and 1997:

<TABLE>
<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Tax benefit at statutory rate	(34.0)%	(34.0)%	(34.0)%
Effect of:			
State income tax, net	(4.0)	(4.0)	(4.0)
Other	0.5	0.4	1.1
Valuation allowance	37.5	37.6	36.9
Provision (benefit) for income taxes	0.0 %	0.0 %	0.0 %

</TABLE>

Deferred tax assets and liabilities are determined based on the difference between the financial accounting and tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1996 and 1997 are as follows (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carryforwards	$ 8,306	$ 10,047
Allowance for doubtful accounts	241	128
Deferred revenue	151	0
Depreciation and amortization	167	326
Accrued liabilities	38	110
Other	5	3
	8,908	10,614

Deferred tax liabilities:		
Services Subsidiary	(3)	(181)
Amortization of purchased software	(5)	(5)
	(8)	(186)
Net deferred tax assets before valuation allowance	8,900	10,428
Valuation allowance	(8,900)	(10,428)
Net deferred tax assets	$ 0	$ 0

</TABLE>

A valuation allowance is provided when it is determined that some portion or all of the deferred tax assets may not be realized. Accordingly, since it currently is more likely than not that the net deferred tax assets resulting from the net operating loss carryforwards ("NOLs") and other deferred tax items will not be realized, a valuation allowance has been provided in the accompanying consolidated financial statements as of December 31, 1996 and 1997. The Company established the valuation allowance for the entire amount of the deferred tax assets attributable to the NOL carryforwards, as well as for the net deferred tax assets created as a result of temporary differences between book and tax. The Company will recognize such income tax benefits when realized. The NOLs at December 31, 1997 were approximately $26,439,000 and expire at various dates through 2012.

The Company's ability to benefit from certain NOL carryforwards is limited under Section 382 of the Internal Revenue Code when ownership of the Company changed by more than 50%, as defined. The Company is limited to using the NOL carryforwards of $15,800,000 generated prior to February 16, 1996. The limitation does not permit the Company to use in excess of $1,600,000 of certain NOL carryforwards per year. If the Company does not realize taxable income in excess of the limitation in future years, certain NOLs will be unrealizable. NOLs generated from February 16, 1996 through December 31, 1996 of $6,500,000 and NOLs generated from January 1, 1997 through December 31, 1997 of $4,139,000 may also be further limited as a result of the proposed initial public offering.

5. DEBT

The Company's short- and long-term debt consists of the following as of December 31, 1996 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1996	1997
<S>	<C>	<C>
Notes payable to a bank, due in installments through December 31, 1997, secured by certain equipment, bearing interest at a rate of prime plus 1.75% to 2%	$ 323	$ 0
Working capital line of credit with a bank expiring April 7, 1997, payable on demand, repaid with proceeds from the new line-of-credit agreement, secured by all company assets, bearing interest at a rate of prime plus 1%	635	0
Payable for purchased software licensing rights, payable in installments over a two-year period through March 1998 at the rate at which the Company licenses human resource, payroll and benefits software to its customers	1,855	1,632
Equipment notes payable to a leasing company, payable in monthly installments of $27,000, with final principal installments of $169,000 due March 2000 and August 2000, secured by certain company assets, bearing interest at a weighted average rate of 22.1%	0	655
Note payable to a financing company, payable in monthly installments of $1,500 through November 2000, secured by		

certain company assets, bearing interest at 8%.....	0	51
Note payable to a former shareholder, secured by treasury shares of common stock, bearing interest at 8%.....	93	0
	2,906	2,338
Less short-term debt.....	958	0
Less current portion of long-term debt.....	855	1,841
	$1,093	$ 497

During 1997, the Company entered into a new line-of-credit agreement with a bank bearing interest at prime (8.5% at December 31, 1997) plus 2.75% or 3%, depending on certain terms, as defined. The new line-of-credit agreement with the bank provides for maximum borrowings not to exceed the lesser of $3,000,000 or 80% of eligible license and implementation services revenue accounts receivable plus 65% of eligible maintenance revenue accounts receivable and is collateralized by substantially all the Company's assets. The Company had $0 outstanding under the line of credit and availability of approximately $1,950,000 under the line of credit at December 31, 1997.

Under the provisions of the line-of-credit agreement, the Company must comply with certain restrictive covenants. These covenants, among other things, require the Company to maintain specified levels of profitability.

During 1997, the Company entered into debt and lease agreements with a leasing company. The debt and lease agreements provide total borrowing capability of up to $1,000,000 for equipment purchases. As of December 31, 1997, the Company had approximately $655,000 outstanding under these agreements and $345,000 available for future equipment purchases.

During 1997, the Company paid all amounts outstanding under the note payable to a former shareholder. In accordance with the agreement, the Company retired the treasury shares provided as collateral for the note.

The aggregate maturities of long-term debt at December 31, 1997 are as follows (in thousands):

December 31:	
1998.....	$1,841
1999.....	256
2000.....	241
	$2,338

6. ROYALTY AGREEMENTS

The Company is a party to royalty and other equipment manufacturer agreements for certain of its applications. The Company incurred a total of $227,000, $355,000 and $1,109,000 in royalty fees for the years ended December 31, 1995, 1996 and 1997, respectively, pursuant to these agreements. The royalties and fees paid are included in cost of revenues--license fees in the accompanying statements of operations.

During 1992, the Company entered into a royalty agreement with a former stockholder. This agreement grants a 3.75% royalty on certain revenues of the Company, less certain discounts or commissions, collected from any transfer, sale, or licensing of specific modules of the software. The Company incurred royalties of $135,000, $177,000 and $295,000 for the years ended December 31, 1995, 1996 and 1997, respectively, pursuant to this royalty agreement.

7. EMPLOYEE BENEFIT PLANS

The Company sponsors the SQL Financials 401(k) Plan (the "Plan"), a defined contribution plan covering substantially all employees of the Company. Under the Plan's deferred compensation arrangement, eligible employees who elect to participate in the Plan may contribute between 2% and 20% of eligible compensation, as defined, to the Plan. The Company, at its discretion, may elect to provide for either a matching contribution or discretionary profit sharing contribution or both. During the years ended December 31, 1995, 1996, and 1997, the Company did not make matching or discretionary profit sharing contributions to the Plan.

8. STOCK OPTION PLAN

The Company has a stock option plan for employees, consultants, and other individual contributors to the Company which enables the Company to grant up to 1,633,938 qualified and nonqualified incentive stock options (the "1992 Plan"). The qualified options are to be granted at an exercise price not less than the fair market value at the date of grant. The nonqualified options are to be granted at an exercise price of not less than 85% of the fair market value at the date of grant. Fair market values are to be determined by the board of directors. The stock option committee determines the period within which options may be exercised, but no option may be exercised more than ten years from the date of grant. The stock option committee also determines the period over which the options vest. Options are generally exercisable for seven years from the grant date and generally vest over a period of four years at a rate of 20% for years one and two and 30% for years three and four. At December 31, 1997, the Company had options outstanding to acquire 1,368,744 shares of common stock under the stock option plan and 256,794 shares available for grant.

The stock option plan also provides for stock purchase authorizations and stock bonus awards. As of December 31, 1997, no such awards have been granted under the plan.

The Company adopted the 1998 Stock Incentive Plan (the "1998 Plan") in the first quarter of 1998. Under the 1998 Plan, the board of directors have the flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees of the Company or its subsidiaries. The 1998 Plan provides for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights and restricted units. The Company has authorized and reserved for issuance an aggregate of 200,000 shares of common stock under the 1998 Plan, to be automatically increased to 1,000,000 shares of common stock upon completion of the offering. See Note 11. The aggregate number of shares of common stock that may be granted through awards under the 1998 Plan to any employee in any calendar year may not exceed 200,000 shares. No options have been granted under the 1998 Plan. The 1998 Plan will continue in effect until February 2008 unless sooner terminated.

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

During 1996 and 1997, the Company granted options with exercise prices below the fair market value at the date of grant. These fair values are as follows:

<TABLE>
<CAPTION>

PERIOD	FAIR VALUE

<S>	<C>
August 28, 1996 through December 4, 1996	$1.23
December 5, 1996 through July 23, 1997	1.43
July 24, 1997 through November 9, 1997	2.00
November 10, 1997	4.10
December 10, 1997 through December 31, 1997	5.00

Accordingly, the Company recorded deferred compensation of $148,000 and $328,000 for options granted during the years ended December 31, 1996 and 1997, respectively. The Company amortizes deferred compensation over four years, the vesting period of the options. The Company recognized $58,000 of compensation expense related to option grants for the year ended December 31, 1997.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123

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

	1995	1996	1997
Dividend yield	0%	0%	0%
Expected volatility	70	70	65
Risk free interest rate at the date of grant	5.39%-7.60%	5.27%-6.69%	5.78%-6.82%
Expected life	Five years	Five years	Four years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 1995, 1996, and 1997 are $76,000, $355,000, and $699,000, respectively, which would be amortized over the vesting period of the options. Had compensation cost been determined consistent with the provisions of SFAS

No. 123, the Company's pro forma net loss and net loss per share in accordance with SFAS No. 123 for the years ended December 31, 1995, 1996, and 1997 would have been as follows (in thousands except per share amounts):

	1995	1996	1997
Net loss:			
As reported	$(8,049)	$(7,879)	$(4,110)
Pro forma in accordance with SFAS No. 123	(8,059)	(7,911)	(4,269)
Basic and diluted net loss per share:			
As reported	(6.19)	(5.74)	(2.97)
Pro forma in accordance with SFAS No. 123	(6.20)	(5.76)	(3.08)

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

A summary of changes in outstanding options during the years ended December 31, 1995, 1996, and 1997 is as follows:

		WEIGHTED AVERAGE

	SHARES	PRICE	EXERCISE PRICE
<S>	<C>	<C>	<C>
December 31, 1994	220,326	$0.67	$0.67
Granted	220,875	$0.67	$0.67
Canceled	(140,661)	$0.67	$0.67
Exercised	(6,000)	$0.67	$0.67
December 31, 1995	294,540	$0.67	$0.67
Granted	559,830	$0.67-$1.00	$0.87
Canceled	(63,579)	$0.67	$0.67
Exercised	(4,350)	$0.67	$0.67
December 31, 1996	786,441	$0.67-$1.00	$0.81
Granted	802,845	$1.00-$3.67	$2.96
Canceled	(203,730)	$0.67-$3.67	$0.95
Exercised	(16,812)	$0.67-$1.00	$0.68
December 31, 1997	1,368,744	$0.67-$3.67	$2.05
Vested and exercisable at December 31, 1997	264,369	$0.67-$1.00	$0.73

</TABLE>

The following table summarizes the exercise price range, weighted average exercise price and remaining contractual lives by year of grant for the number of options outstanding as of December 31, 1997:

<TABLE>
<CAPTION>

YEAR OF GRANT	NUMBER OF SHARES	EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>
1995 and prior:				
Options granted at fair value	222,765	$ 0.67	$0.67	4.01
1996:				
Options granted at fair value	134,895	0.67	0.67	5.42
Options granted at less than fair value	249,489	1.00	1.00	5.93
1997:				
Options granted at less than fair value	761,595	1.00-3.67	3.06	6.73
Total	1,368,744	0.67-3.67	2.05	6.01

</TABLE>

The weighted average grant date fair value of options granted during the years ended December 31, 1996 and 1997 was $1.14 and $3.04, respectively.

Subsequent to December 31, 1997, the Company granted options to acquire 182,250 shares of common stock under the 1992 Plan to certain employees at an average exercise price equal to $4.45.

9. STOCKHOLDERS' EQUITY

STOCKHOLDERS' AGREEMENT

All owners of the Company's common stock are parties to the Company's stockholders' agreement. This agreement provides, among other things, for a right of first refusal to the Company and then to all other stockholders of

the Company to purchase any selling stockholders' shares at a price equal to that agreed to by a third party. The stockholders' agreement terminates upon an initial public offering, with the exception of the registration rights of the shares covered by the agreement.

All the holders of common stock are party to a stockholders' voting agreement dated September 1, 1995 whereby the Officer is named voting trustee and votes all common shares. As of December 31, 1997, the Officer controlled the right to vote 22.6% of the Company's outstanding voting stock, after dilution from the preferred stockholders. The stockholders' agreement naming the Officer as voting trustee terminates upon the consummation of an initial public offering (Note 11).

PREFERRED STOCK

The Company is authorized to issue 3,500,000 shares of preferred stock. Of this authorized amount, the Company has issued and outstanding 262,500 of Series A Preferred Stock ("Series A"), 454,888 of Series B Preferred Stock ("Series B"), 428,572 of Series C Preferred Stock ("Series C"), 701,755 of Series D Preferred Stock ("Series D"), 697,675 of Series E Preferred Stock ("Series E"), and 628,809 of Series F Preferred Stock ("Series F") at December 31, 1997.

Preferred stockholders are entitled to participate in any dividends paid to common stockholders and have the voting rights and powers of the common stockholders, as defined. Preferred stockholders receive preferential

distributions in the event of liquidation of the Company for $4 per share of Series A, $6.65 per share of Series B, $7 per share of Series C, $8.55 per share of Series D, $8.60 per share of Series E, and $9.60 per share of Series F, plus any unpaid declared dividends.

Each share of preferred stock is convertible at the option of the holder at any time into the number of common shares which results from the effective conversion rate, as defined. The conversion values at December 31, 1997 are $4 for Series A, $6.65 for Series B, $7 for Series C, $8.55 for Series D, $8.60 for Series E, and $9.60 for Series F. The conversion prices at December 31, 1997 are $2.67 for Series A, $4.43 for Series B, $4.67 for Series C, $5.70 for Series D, $5.73 for Series E, $6.40 for Series F. Further, in accordance with the Company's certificate of incorporation, the preferred stock will automatically convert at the defined conversion rate if the Company consummates an initial public offering with a price per share and gross proceeds in excess of defined thresholds. The Company is in the process of obtaining waivers in regards to these thresholds and redemption rights. See Note 12.

Certain quantities of all series of preferred shares may be put to the Company by the preferred stockholders within 30 days following the preferred redemption dates for an amount per share equal to the conversion value of the preferred stock plus any declared but unpaid dividends. The preferred redemption dates and the applicable quantities of shares eligible for redemption, as defined in the certificate of incorporation, are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	PERCENTAGE OF OUTSTANDING REDEEMABLE CONVERTIBLE PREFERRED STOCK	VALUE OF STOCK ELIGIBLE FOR REDEMPTION
<S>	<C>	<C>
Preferred redemption dates:		
September 30, 1998.....	33.3%	$ 8,371
September 30, 1999.....	50.0	12,556
September 30, 2000.....	100.0	25,112

Date of termination of employment of the Officer, as defined.....	100.0	25,112

</TABLE>

SERIES A

On November 24, 1992, pursuant to a stock purchase agreement, the Company sold 250,000 shares of Series A to Greylock Limited Partnership ("Greylock") for an aggregate sum of $1,000,000. Stock issuance costs of $62,000 were incurred in connection with the sale of the preferred shares, resulting in net proceeds of $938,000. Additionally, on June 30, 1993, pursuant to a stock purchase agreement, the Company sold 12,500 shares of Series A for an aggregate sum of $50,000.

SERIES B

On September 21, 1993, pursuant to a stock purchase agreement, the Company sold a total of 454,888 shares of Series B at a price of $6.65 per share to Greylock and additional third party investors. The aggregate proceeds from the sale of this stock totaled $3,025,000. Stock issuance costs of $30,000 were incurred in connection with the sale of the preferred shares, resulting in net proceeds of $2,995,000.

SERIES C

On April 1, 1994, pursuant to a stock purchase agreement, the Company sold a total of 428,572 shares of Series C at a price of $7 per share to certain existing stockholders and additional third-party investors, resulting in aggregate proceeds of $3,000,000. Stock issuance costs of $16,000 were incurred, resulting in net proceeds of $2,984,000.

On August 1, 1994, the Company sold 87,500 shares of Series C Preferred Stock to Tech Ventures for a purchase price of $7.00 per share, the same price per share as sold to the Series C investors in April 1994. Tech Ventures paid the purchase price through the delivery of a secured promissory note. The note was guaranteed by an officer of the Company who controlled Tech Ventures and is secured by the assets of an entity controlled by such officer. As of December 31, 1996 and 1997, the note was reflected as a reduction of stockholders' equity in the accompanying balance sheets. The Company was almost entirely dependent at the time on the implementation services of McCall Consulting Group, a wholly owned subsidiary of Tech Ventures who was performing substantially all of the implementation services for the Company's software. In July of 1995 at the request of and as a financial accommodation to Tech Ventures, the Company converted the 87,500 shares of Series C Preferred Stock into a warrant to purchase such shares on the same terms and conditions as set forth in the promissory note. Based on its dependency on McCall Consulting Group, the Company believed it in its best interest to maintain Tech Ventures' long-term interest in the success of the Company through a continuing equity interest. The note was amended effective July 31, 1995 so that the principal amount is due and payable only upon the exercise of the warrant. The warrant has been reflected in the statement of stockholders' deficit, with the corresponding note as a reduction of stockholders' deficit. The warrant expires on the earlier of August 1, 1999 or an initial public offering.

SERIES D

On January 24, 1995, the Company received an advance on a pending equity financing arrangement. The Company issued promissory notes to certain existing preferred stockholders totaling $750,000 at an interest rate of 6%. In addition, the Company issued warrants to the above parties to purchase 17,544 shares of Series D at a price of $8.55 per share.

On February 21, 1995, the Company issued 701,755 shares of Series D for $8.55 per share to certain existing preferred stockholders and additional third party investors. Of the proceeds, $750,000 was used to repay the advance

on financing discussed above. Gross proceeds before stock issuance costs were $6,000,000. Stock issuance costs of $73,000 were incurred, resulting in net proceeds of $5,927,000.

On January 5, 1996, the Company entered into an agreement with its bank to extend its old working capital line of credit. As part of the agreement, the Company granted the bank a warrant to purchase 8,201 shares of Series D convertible preferred stock at $8.55 per share. The warrant expires on January 4, 1999.

SERIES E

On February 15, 1996, the Company issued 697,675 shares of Series E for $8.60 per share to certain existing preferred stockholders and additional third party investors. Of the proceeds, $2,000,000 was used to repay an advance on the financing received in 1995. Proceeds from the sale of this stock, before stock issuance costs, were $6,000,000. Stock issuance costs of $34,000 were incurred, resulting in net proceeds of $5,966,000.

On March 28, 1997, the Company entered into an agreement with its bank to amend its working capital line of credit. As part of the agreement, the Company granted the bank a warrant to purchase 8,721 shares of Series E convertible preferred stock at $8.60 per share. The warrant expires on March 28, 2000.

SERIES F

On June 5, 1997 and August 5, 1997, the Company received advances on a pending equity financing arrangement. The Company issued convertible promissory notes to certain existing preferred stockholders totaling approximately $2,000,000 and bearing interest at a rate of 8.5%. The notes were convertible upon the consummation of a private equity offering providing gross proceeds in excess of defined thresholds. In connection with the issuance of the notes, the Company issued warrants to the above parties to purchase 46,821 shares of Series F at a price of $9.60 per share. The value of the warrants of $40,000 was recorded as a debt discount and was amortized over the period in which the convertible notes were outstanding. For the year ended December 31, 1997, the Company amortized $18,000 of the discount to interest expense.

On September 27, 1997, the Company issued 416,668 shares of Series F to third party investors for $9.60 per share. Upon issuance of Series F to the third party investors, the aforementioned convertible notes and accrued interest were converted to 212,141 shares of Series F at $9.60 per share. Gross proceeds before stock issuance costs were $6,037,000. Stock issuance costs of $50,000 were incurred, resulting in net proceeds of $5,987,000.

10. COMMITMENTS AND CONTINGENCIES

LEASES

On March 20, 1997, the Company entered into an 85 month lease for office space beginning on June 15, 1997. The lease requires annual payments of $386,000 beginning July 1, 1997 for the first 12 month period with an increase of 3% in each 12 month period after the first year. The Company is also receiving the first month's rent free. The 3% escalation and the first month's free rent are recognized on a straight line basis over the life of the lease.

Lease expenses relate to the lease of office space, telephone, and computer equipment. Rents charged to expense were approximately $576,000, $749,000, and $772,000 for the years ended December 31, 1995, 1996, and 1997, respectively. Aggregate future minimum lease payments under noncancelable operating leases as of December 31, 1997 are as follows (in thousands):

<TABLE>
<S> <C>

December 31:	
1998	$ 616
1999	501
2000	513
2001	526
2002	491
Thereafter	841
	$3,488

</TABLE>

LETTERS OF CREDIT

At December 31, 1997, standby letters of credit of approximately $290,000 and $210,000 had been issued in accordance with provisions under certain of the Company's lease and financing agreements. The letters of credit of $290,000 and $210,000 expire in July 1998 and August 1998, respectively.

PRODUCT LIABILITY

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

LITIGATION

The Company is subject to litigation related to matters arising in the normal course of business, including product liability. As of December 31, 1997, management is not aware of any unasserted, asserted, or pending material litigation or claims against the Company.

11. SUBSEQUENT EVENTS

INITIAL PUBLIC OFFERING

The Company is planning an initial public offering (the "Offering") of its common stock which is targeted for completion in the second quarter of 1998. There can be no assurance that the Offering will be completed.

TRANSACTIONS WITH OFFICER

In February 1998, the Company entered into an agreement with the Officer whereby the Officer resigned as the Company's chief executive officer and as chairman, chief executive officer and manager of the Services Subsidiary. The Officer agreed to remain an employee of the Company at his current salary, including incentive compensation, until the completion of the Offering, at which time he will become a consultant to the Company for a period of one year pursuant to the terms of an independent contractor agreement. For his consulting services, the Company will pay the Officer the sum of $125,000 over the one year period, with the ability to earn an additional $100,000 in incentive compensation if certain revenue targets are met by the Company. The Officer has agreed to continue to serve on the Company's board of directors for at least six months following the termination of his employment. In recognition of past services to the Company, the termination of the voting trust discussed in Note 9, and resignations of certain positions noted above,

the Company agreed to pay the Officer a lump sum of $225,000 on or before June 30, 1998 and will pay the Officer as severance an additional $75,000, payable in semi monthly installments over a one year period beginning on the effective date of the termination of his employment with the Company.

CONVERSION OF REDEEMABLE CONVERTIBLE PREFERRED STOCK

In accordance with the Company's certificate of incorporation, all redeemable convertible preferred shares will convert to common shares on the closing date of the initial public offering if the initial public offering meets certain defined thresholds. See Note 12.

STOCK SPLIT

On February 19, 1998, the Company's board of directors approved a three-for-two stock split on the Company's common stock to be affected in the form of a stock dividend. All share and per share data in the accompanying financial statements have been adjusted to reflect the split. The effect of the split is presented retroactively within stockholders' deficit at December 31, 1994 by transferring the par value for the additional shares issued from the additional paid-in capital account to the common and preferred stock accounts.

ACQUISITION OF MINORITY INTEREST IN THE SERVICES SUBSIDIARY

On February 5, 1998, the Company purchased Technology Ventures' 20% ownership in the Services Subsidiary for a purchase price of $4,196,000. In exchange for the 20% interest in the Services Subsidiary, the

Company issued 225,000 shares of common stock to Technology Ventures and granted Technology Ventures a warrant to purchase an additional 300,000 shares of common stock at a purchase price of $3.67 per share. The warrant expires on February 5, 2000. In addition, the Company agreed to pay Technology Ventures the sum of $1,100,000 February 5, 2000 pursuant to a nonnegotiable, noninterest-bearing subordinated promissory note (the "Note"). Technology Ventures has agreed not to sell any of its shares for a period of 180 days after the effective date of the Offering. In addition, prior to the purchase and sale, the Services Subsidiary distributed approximately $241,000 to Technology Ventures as the accumulated unpaid profits earned by the Services Subsidiary prior to February 5, 1998. The Company also agreed to pay Technology Ventures a monthly sum equal to 20% of the net profits of the Services Subsidiary until the earlier of (i) the completion of the Offering or (ii) a sale of the Company. Any payments made to Technology Ventures for this 20% of net profits of the Services Subsidiary will be recorded by the Company as additional purchase price at the time of payment. All of the material terms of the purchase and sale were agreed to by Technology Ventures and the Company in January 1998, and the purchase and sale have been accounted for in the first quarter of 1998 based on the value of the common stock issued in such transaction at $8.00 per share at such time. In February 1998, the Services Subsidiary also paid Technology Ventures approximately $33,000 as consideration for the termination of a management services agreement entered into between the parties in March 1995, and Technology Ventures paid in full to the Services Subsidiary the remaining principal balance and all accrued interest due under its $75,000 promissory note (the "Tech Ventures Note").

The purchase price of $4,196,000 was determined by including the following: (i) 225,000 shares of common stock at $8.00 per share or $1,800,000, (ii) a note payable of $1,100,000 discounted for no interest at 9.0% for two years resulting in a net note payable of $934,000, (iii) cash paid of $62,000, and (iv) a warrant valued at $1,400,000, determined using the Black Scholes Model using expected volatility of 65%, an expected term of two years, and a risk free rate of 5.5% to determine a value per share of $4.67 or a total value of $1,400,000. The Company has accounted for the transaction using the purchase method of accounting. The purchase price has been allocated to assets acquired and liabilities assumed based on the fair market value at the date of acquisition. Goodwill resulting from the transaction in the amount of $4,159,000 will be amortized over 15 years. The Company will impute interest on the note payable and recognize the interest over the term of the note, two

years.

12. PREFERRED STOCK CONVERSION WAIVERS

Subsequent to December 31, 1997, the Company obtained waivers from the preferred stockholders eliminating the requirement that the initial public offering price and the gross proceeds from an initial public offering be at a defined threshold in order for the conversion of the preferred stock to be effected immediately upon an initial public offering. See Note 9.

SQL FINANCIALS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ITEM 1. FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

	JUNE 30, 1998	DECEMBER 31, 1997
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$26,090	$ 7,213
Trade accounts receivable, less allowance for doubtful accounts of $316 and $338 in 1998 and 1997, respectively	5,818	4,050
Prepaid and other current assets	354	494
Total current assets	32,262	11,757
PROPERTY AND EQUIPMENT--net	2,069	1,507
OTHER ASSETS:		
Intangible assets, net of accumulated amortization of $1,534 and $1,127 in 1998 and 1997, respectively	5,508	1,267
Deposits and other long-term assets	186	150
Total other assets	5,694	1,417
TOTAL ASSETS	$40,025	$14,681

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SQL FINANCIALS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)(CONTINUED)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNT)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
<CAPTION>

	JUNE 30, 1998	DECEMBER 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
<S>	<C>	<C>
CURRENT LIABILITIES:		
Note payable, net of discount of $131 in 1998	$ 969	$ -0-
Accounts payable and accrued liabilities	5,062	4,598
Accounts payable-related party	-0-	54

Deferred revenue	5,878	5,717
Current maturities of long-term debt	264	1,841
Total current liabilities	12,173	12,210
NONCURRENT LIABILITIES:		
Deferred revenue	3,355	4,480
Long-term debt, net of current maturities	375	497
Other non-current liabilities	65	49
Total liabilities	15,968	17,236
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	-0-	243
REDEEMABLE CONVERTIBLE PREFERRED STOCK:		
Series A, 262,500 shares issued and outstanding in 1997,	-0-	1,050
Series B, 454,888 shares issued and outstanding in 1997,	-0-	3,025
Series C, 428,572 shares issued and outstanding in 1997,	-0-	3,000
Series D, 701,755 shares issued and outstanding in 1997,	-0-	6,000
Series E, 697,675 shares issued and outstanding in 1997,	-0-	6,000
Series F, 628,809 shares issued and outstanding in 1997,	-0-	6,037
Total redeemable convertible preferred stock	-0-	25,112
STOCKHOLDERS' EQUITY (DEFICIT) (Note 3):		
Common Stock, $.0001 par value; 25,000,000 and 9,000,000 shares authorized in 1998 and 1997, respectively; 9,061,304 and 1,467,160 shares outstanding in 1998 and 1997, respectively	1	-0-
Additional paid in capital	51,354	489
Accumulated deficit	(28,058)	(28,019)
Warrants	1,440	652
Treasury stock, at cost	(2)	(2)
Note from stockholder	-0-	(612)
Deferred compensation	(678)	(418)
Total stockholders' equity (deficit)	24,057	(27,910)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 40,025	$ 14,681

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SQL FINANCIALS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30	
<S>	<C>	<C>
	1998	1997
REVENUES:		
License fees	$8,443	$ 4,728
Services fees	6,890	3,276
Maintenance fees	3,414	1,917
Total revenues	18,747	9,921

COST OF REVENUES:		
License fees	565	378
Services fees	4,507	2,322
Maintenance fees	1,516	850
Total cost of revenues	6,588	3,550
OPERATING EXPENSES:		
Research and development	2,529	3,824
Sales and marketing	5,391	4,604
General and administrative	2,548	1,349
Depreciation and amortization	929	698
Non-cash compensation	803	23
Total operating expenses	12,200	10,498
OPERATING INCOME (LOSS)	(41)	(4,127)
INTEREST INCOME	159	27
INTEREST EXPENSE	121	118
MINORITY INTEREST	36	189
NET INCOME (LOSS)	$ (39)	$(4,407)
Income (loss) per common share:		
Basic	$(0.01)	$ (3.19)
Diluted	$(0.01)	$ (3.19)
Weighted average shares outstanding		
Basic	3,026	1,382
Diluted	3,026	1,382

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SQL FINANCIALS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN THOUSANDS)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30	
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss	$ (39)	$(4,407)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	929	698
Minority interest in subsidiary	36	189
Amortization of debt discount	34	-0-
Deferred compensation	803	23
Changes in operating assets and liabilities:		
Accounts receivable	(1,768)	(2,201)
Prepaids and other current assets	140	(62)
Deposits and other long-term assets	(32)	(286)
Accounts payable and accrued liabilities	335	1,052
Deferred revenue	(961)	1,281
Other noncurrent liabilities	16	31
NET CASH USED IN OPERATING ACTIVITIES	(507)	(3,682)
INVESTING ACTIVITIES:		
Purchase of intangible assets	(150)	-0-
Purchase of minority interest in subsidiary	(326)	-0-
Additions to property and equipment	(1,089)	(247)
NET CASH USED IN INVESTING ACTIVITIES	(1,565)	(247)
FINANCING ACTIVITIES:		
Dividends paid to holder of minority interest	(241)	(160)

Proceeds from notes payable and short term borrowings.....	1,645	12,414
Repayments of notes payable and short term borrowings.....	(3,343)	(9,712)
Proceeds from the exercise of warrants.....	612	9
Proceeds from issuance of common stock, net.....	22,126	-0-
Proceeds from issuance of preferred stock.....	150	-0-
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	20,949	2,551
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	18,877	(1,378)
CASH AND CASH EQUIVALENTS, beginning of period.....	7,213	3,278
CASH AND CASH EQUIVALENTS, end of period.....	$26,090	$ 1,900
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest.....	$ 93	$ 106

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SQL FINANCIALS INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of SQL Financials International, Inc. (the "Company") 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, 1998. 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 Prospectus dated May 26, 1998, filed under Form S-1 with the Securities and Exchange Commission.

NOTE 2. EARNINGS PER SHARE

Basic and diluted net income (loss) per share was computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," using the weighted average number of common shares outstanding. Diluted net losses per share for the six months ended June 30, 1998 and 1997, and the quarter ended June 30, 1997, do not include the effect of common stock equivalents, including redeemable convertible preferred stock, as their effect would be antidilutive. Diluted net income per share for the quarter ended June 30, 1998, includes the effect of common stock equivalents.

NOTE 3. STOCKHOLDERS' EQUITY

On May 26, 1998, the Company completed its initial public offering of 2.5 million shares of its common stock at an offering price of $10.00 per share. The proceeds, net of expenses, from this public offering of approximately $22.1 million were placed in investment grade cash equivalents. Immediately prior to the effective date of the Company's Registration Statement the redeemable convertible preferred stock was converted to common stock.

NOTE 4. ACQUISITION OF MINORITY INTEREST IN THE SERVICES SUBSIDIARY

On February 5, 1998, the Company purchased the 20% interest in SQL Financial Services, LLC (the "Services Subsidiary") from Technology Ventures, LLC ("Technology Ventures") a related party controlled by Joseph S. McCall, a director of the Company. In exchange for the 20% interest in the Services Subsidiary, the Company issued 225,000 shares of common stock to Technology Ventures and granted Technology Ventures a warrant to purchase an additional 300,000 shares of common stock at a purchase price of $3.67 per share. The warrant expires on February 5, 2000. In addition, the Company agreed to pay

Technology Ventures the sum of $1 million due February 5, 2000, pursuant to a non-negotiable, non-interest-bearing subordinated promissory note. Technology Ventures has agreed not to sell any of its shares for a period of 180 days after the effective date of the Offering. The Company also agreed to pay Technology Ventures a monthly sum equal to 20% of the net profits of the Services Subsidiary until the completion of the Company's Initial Public Offering. The Company as additional purchase price recorded payments made to Technology Ventures for this 20% of net profits of the Services Subsidiary at the time of payment.

REPORT OF INDEPENDENT ACCOUNTANTS

August 17, 1998

To the Board of Directors
and Shareholders of
ELEKOM Corporation

In our opinion, the accompanying balance sheet and the related statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of ELEKOM Corporation (a development stage enterprise) at December 31, 1997 and 1996 and the results of its operations and its cash flows for the years then ended and for the period August 7, 1995 (inception) to December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has suffered losses from operations and has used significant cash in its operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 1, ELEKOM Corporation (a development stage enterprise) was a wholly owned subsidiary of Egghead, Inc. prior to November 10, 1997.

PRICEWATERHOUSECOOPERS

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEET

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1996
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 2,777,408	$ 1,683,272
Accounts receivable	50,000	8,090
Prepaid expenses	23,030	87,862
Total current assets	2,850,438	1,779,224
Property and equipment, net	364,015	338,370
	$ 3,214,453	$ 2,117,594

LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 35,304	$ 98,236
Accrued payroll and related benefits	236,796	32,314
Current portion, capital lease obligations	110,041	75,009
Deferred revenue	50,000	--
Due to Egghead, Inc.	--	4,978,012
Other accrued liabilities	89,902	38,786
Total current liabilities	522,043	5,222,357
Capital lease obligation, net of current portion (Note 4)	117,574	157,286
Commitments and contingencies (Note 4)		
Shareholders' equity (deficit)		
Convertible preferred stock:		
Series B, $.01 par value; 4,389,945 shares authorized; 4,255,944 shares issued and outstanding in 1997 and none issued and outstanding in 1996	42,559	--
Series A, $.01 par value; 917,229 shares authorized, issued and outstanding in 1997 and none issued and outstanding in 1996	9,172	--
Common stock, $.01 par value; 9,692,826 shares authorized; 50 shares issued and outstanding in 1997 and 1996	--	--
Additional paid-in capital	10,979,754	--
Deficit accumulated during the development stage	(8,456,649)	(3,262,049)
Total shareholders' equity (deficit)	2,574,836	(3,262,049)
	$ 3,214,453	$ 2,117,594

</TABLE>

See accompanying notes to financial statements.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		AUGUST 7, 1995 (INCEPTION) THROUGH DECEMBER 31,
	1997	1996	1997
<S>	<C>	<C>	<C>
Sales	$ 16,930	$ 5,532	$ 22,462
Cost of sales	12,613	155	12,768
Gross profit	4,317	5,377	9,694
Operating expenses:			
Research and development	1,171,941	409,062	1,793,769
Sales and marketing	1,425,063	726,671	2,288,582
General and administrative (Note 1)	2,001,083	1,247,562	3,628,781
Total operating expenses	4,598,087	2,383,295	7,711,132
Operating loss	(4,593,770)	(2,377,918)	(7,701,438)
Interest expense	(616,527)	(192,655)	(809,182)
Other income	15,697	38,274	53,971
Loss before income taxes expense	(5,194,600)	(2,532,299)	(8,456,649)
Income tax expense	--	--	--
Net loss	$(5,194,600)	$(2,532,299)	$(8,456,649)

Basic and diluted net loss per common shares	$ (103,892)	$ (50,646)	$ (169,133)
Weighted average number of common shares outstanding	50	50	50
Pro forma basic and diluted net loss per common shares (Note 1)	$ (.84)		
Pro forma weighted average number of common shares outstanding (Note 1)	6,183,097		

</TABLE>

See accompanying notes to financial statements.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	SERIES A PREFERRED STOCK		SERIES B PREFERRED STOCK		COMMON STOCK		PAID-IN	ACCUMULATED	SHAREHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Issuance of common stock, August 7, 1995 (inception)	--	$ --	--	$ --	50	$--	$ --	$ --	$ --
Net loss	--	--	--	--	--	--	$ (729,750)		$ (729,750)
December 31, 1995	--	--	--	--	50	--	--	(729,750)	(729,750)
Net loss	--	--	--	--	--	--	(2,532,299)		(2,532,299)
December 31, 1996	--	--	--	--	50	--	--	(3,262,049)	(3,262,049)
Issuance of Series A convertible preferred stock, net	917,229	$ 9,172	--	--	--	--	$ 8,122,313	--	8,131,485
Issuance of Series B convertible preferred stock, net	--	--	4,255,944	$42,559	--	--	2,857,441	--	2,900,000
Net loss	--	--	--	--	--	--	(5,194,600)		(5,194,600)
December 31, 1997	917,229	$ 9,172	4,255,944	$42,559	50	$--	$10,979,754	$(8,456,649)	$2,574,836

</TABLE>

See accompanying notes to financial statements.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		AUGUST 7, 1995 (INCEPTION) THROUGH DECEMBER 31,
	1997	1996	1997
<S>	<C>	<C>	<C>

CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(5,194,600)	$(2,532,299)	$(8,456,649)
Adjustments to reconcile net loss to net cash used in operations			
Depreciation	204,002	39,838	249,606
Changes in assets and liabilities:			
Accounts receivable	(41,910)	(8,090)	(50,000)
Prepaid expenses and other assets	64,834	(87,733)	(23,030)
Accounts payable	110,900	98,107	209,136
Accrued payroll and related benefits	204,482	32,314	236,796
Deferred revenue	50,000	--	50,000
Other accrued liabilities	51,116	38,786	89,902
Net cash used in operating activities	(4,551,176)	(2,419,077)	(7,694,239)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(136,881)	(129,527)	(282,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of capital lease obligations	(97,448)	(6,046)	(103,494)
Net borrowings from Egghead Inc	2,979,641	4,237,922	7,957,653
Proceeds from issuance of Series B convertible preferred stock	2,900,000	--	2,900,000
Net cash provided by financing activities	5,782,193	4,231,876	10,754,159
Net increase in cash and cash equivalents	1,094,136	1,683,272	2,777,408
Cash and cash equivalents at beginning of year	1,683,272	--	--
Cash and cash equivalents at end of year	$ 2,777,408	$ 1,683,272	$ 2,777,408
Property and equipment acquired under capital leases	$ 92,767	$ 238,342	$ 331,109

</TABLE>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Loans from Egghead, Inc., in the amount of $6,612,524, were forgiven in November 1997, just prior to the recapitalization, and Egghead paid accounts payable outstanding at November 4, 1997 totaling $173,832 on ELEKOM's behalf in exchange for 917,229 shares of Series A convertible preferred stock. Additionally, allocated expenses from Egghead, including imputed interest on the intercompany debt, totaling $1,345,129 were also forgiven. The amounts forgiven by Egghead, Inc. were recorded as capital contributions by ELEKOM.

See accompanying notes to financial statements.

1. ORGANIZATION AND BUSINESS

Organization

ELEKOM Corporation ("ELEKOM" or the "Company") was founded in 1995 and is a privately owned Washington corporation. The Company was formed as a subsidiary of Egghead, Inc. ("Egghead") to focus on the development of advanced supplier-independent electronic procurement systems for large enterprises. The Company's initial product, ELEKOM Procurement, integrates all of the activities associated with procurement into a comprehensive Intranet business application that streamlines the entire process. ELEKOM Procurement is

directed at mid- to large-sized corporations where nonproduction purchasing is expensive and time-consuming.

On November 10, 1997, the Company was recapitalized. In connection with the recapitalization, ELEKOM reacquired debt in the amount of $6,612,524 owed to Egghead in exchange for 917,229 shares of Series A preferred stock of the Company. Additionally, allocated expenses from Egghead, including imputed interest, Egghead assumed responsibility for all accounts payable, totaling $173,832 incurred before or on November 4, 1997.

In connection with the recapitalization, ELEKOM sold 4,255,944 shares of Series B convertible preferred stock to new investors for $2,900,000.

The financial statements for all periods prior to November 10, 1997 reflect the results of operations, financial position, and cash flows of ELEKOM as a wholly owned subsidiary of Egghead and may not be indicative of actual results of operations and financial position of the Company under other ownership.

The statement of operations reflects certain expense items incurred by Egghead which were allocated to the Company on a basis which management believes represents a reasonable allocation of such costs to present ELEKOM as a stand-alone company. These allocations consist primarily of corporate expenses such as executive and other compensation, depreciation of corporate assets, rent expense and legal fees and interest expense on intercompany borrowings. The corporate expenses have been allocated based on an estimate of Egghead personnel time dedicated to the operations and management of ELEKOM. Interest expense has been allocated based on ELEKOM's estimated borrowing rate (10%) and actual intercompany borrowings. A summary of these allocations is as follows:

<TABLE>
<CAPTION>

	CORPORATE EXPENSE	INTEREST EXPENSE
<S>	<C>	<C>
Inception through December 31, 1997	$551,535	$793,594
Year ended December 31, 1996	$186,291	$192,655
Year ended December 31, 1997	$365,244	$600,939

</TABLE>

Business

The Company was in the development stage as of and for the period from inception through December 31, 1997. In connection with its development activities, the Company has incurred costs to incorporate and establish its business activities as well as the design and development of the Company's initial product, ELEKOM Procurement, which was available for sale in June 1997. As a result, cash requirements have exceeded cash receipts and the Company must obtain interim financing or additional capital to continue its development, sales and marketing efforts. Management plans to obtain such financing or capital during the year; however, there can be no assurance that financing or capital can be obtained. As a result, even though the accompanying financial statements have been prepared assuming that the Company will continue as a going concern, there is substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash equivalents consist of highly liquid investments purchased within 90 days or less of maturity. They are recorded at cost which approximates fair value. The Company places its cash in high credit quality financial institutions. The Company has not experienced any losses on its cash and cash equivalents.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

<TABLE>
<S> <C>
Office furniture and equipment..... Five years
Computer hardware and software..... Two to three years
Leasehold improvements..... Over the life of the lease
</TABLE>

Deferred revenues

Deferred revenues consist of advanced billings and payments on software contracts.

Revenue recognition

Revenue from software contracts is recognized using the percentage-of-completion contract accounting method, or on a completed contract basis, in accordance with the American Institute of Certified Public Accountant's Statement of Position 91-1, Software Revenue Recognition. American Institute of Certified Public Accountant's Statement of Position 97-2 (SOP 97-2), Software Revenue Recognition, will be adopted by the Company during fiscal 1998. Applying the provisions of SOP 97-2 is not expected to materially impact the Company's financial statements.

Research and development

Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. If it is more likely than not that some portion of a deferred tax asset will not be realized, a valuation allowance is recorded. Commencing August 7, 1995 through November 10, 1997, the Company's operations have been included in consolidated income tax returns filed by Egghead. Income taxes in the accompanying financial statements for the associated period have been computed assuming the Company filed a separate income tax return.

Net loss per share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (FAS 128), Earnings Per Share. FAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share excludes any
dilutive effects of options and convertible securities. Earnings per share for 1996 and for the periods from August 7, 1995 (inception) through December 31, 1997 reflect the adoption of FAS 128. Net loss per share assuming dilution for the years ended December 31, 1997 and 1996 is equal to net loss per share due to the fact that the effect of common stock equivalents outstanding during the periods is anti-dilutive.

Proforma net loss per share

Given the changes in ELEKOM's capital structure as a result of the 1997 recapitalization and the changes to be effected as a result of the agreement to sell 100% of the Company's stock (Note 7) pro forma earnings per

share is presented. Pro forma earnings per share is calculated based on the number of shares of common stock and preferred stock outstanding at June 30, 1998 and has been adjusted to give effect to the conversion of all shares of preferred stock into common stock that will occur in connection with the sale of 100% of the Company's stock (Note 7). Stock options outstanding at each period and have not been included in the loss per share calculations as their effect is antidilutive.

Use of Estimates

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

Advertising expenses

The Company expenses advertising costs as incurred. Total advertising expense was $89,860 and $147,914 for the years ended December 31, 1997 and 1996, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1997	1996
<S>	<C>	<C>
Computer hardware and software	$ 531,469	$327,269
Office furniture and equipment	61,178	35,731
Leasehold improvements	20,974	20,974
	613,621	383,974
Less: Accumulated depreciation	(249,606)	(45,604)
	$ 364,015	$338,370

</TABLE>

4. LEASE COMMITMENTS

The Company's office facilities are leased under an operating lease that provides for minimum rentals. The lease expired in May 1998, but was renewed until the end of June 1998, at which time the Company moved to another facility. Future lease payments over the life of the new lease are approximately $628,000. In addition, the Company also rents certain equipment under agreements treated for financial reporting purposes as capital leases. The Company's property under capital leases which is included in property and equipment on the balance sheet at December 31, 1997 and 1996 was $224,890 and $231,720, respectively, which is net of accumulated depreciation of $106,217 and $6,621, respectively.

Future minimum lease payments under capital leases are as follows:

<TABLE>
<CAPTION>

Year ending December 31,	
<S>	<C>
1998	$120,972
1999	113,705
2000	7,926
Total minimum lease payments	242,603
Less: Amount representing interest	14,988
Present value of net minimum lease payments	227,615
Current portion	110,041

	$117,574

</TABLE>

Rent expense for the years ended December 31, 1997 and 1996 was $171,172 and $101,051, respectively.

5. SHAREHOLDERS' EQUITY

On December 1, 1997, the Board of Directors authorized a one-for-ten reverse stock split for all outstanding securities. All references in the financial statements to number of shares and per share amounts of the Company's preferred and common stock have been retroactively restated to reflect the decreased number of shares outstanding.

Recapitalization

Pursuant to the terms of the Stock Exchange Agreement and the Separation Agreement entered into between the Company and Egghead dated November 10, 1997, Egghead forgave debt in the amount of $6,612,524 owed from ELEKOM and assumed responsibility for outstanding accounts payable totaling $173,832, in exchange for 917,229 shares of Series A convertible preferred stock of the Company. The allocated corporate expenses and interest expense of $1,345,129 included in the Statement of Operations have also been forgiven by Egghead and therefore, are reflected as an increase to additional paid-in capital. The terms of the agreements also authorized the Company to issue 4,255,944 shares of Series B convertible preferred stock at $0.68 per share in the Company's initial private placement offering. Accordingly, effective November 10, 1997 as a result of the foregoing transactions, the Company was no longer a wholly owned subsidiary of Egghead.

Preferred stock

The preferred Series A and B shares are convertible into one share of common stock (subject to antidilution adjustments) at any time at the option of the holder. Outstanding preferred shares automatically convert into common stock upon consummation of an underwritten public offering with an offering price of not less than $3.40 per share and aggregate proceeds in excess of $10,000,000. The Company has reserved and set aside 5,307,174 shares of its authorized but unissued common stock required for issuance and delivery upon conversion of Series A and Series B convertible preferred stock. Both Series A and Series B preferred shareholders are entitled to a noncumulative dividend of $.055 per share when and if declared by the Board of Directors. Terms of the Stock Purchase and Stock Exchange Agreements provide anti-dilution protection, provide right of first negotiation on proposed equity and debt financing and prohibit authorization of any senior class of equity instrument without approval. Series B convertible preferred stock have liquidation preferences over both Series A convertible preferred stock and common stock. Holders of Series A and Series B convertible preferred stock are entitled to the number of votes equal to the number of shares of common stock into which the preferred shares are convertible. The holders of Series A convertible preferred stock, voting as a class, have the right to elect one director. The holders of preferred stock and common stock, voting as a single class, shall be entitled to elect any remaining directors.

Pursuant to the amended articles of incorporation of the Company dated May 1, 1998, in the event of liquidation, Series B preferred shareholders will be entitled to receive an amount equal to the purchase price for each share owned plus accrued dividends. If assets remain after this initial distribution, the holders of the Series A preferred stock will receive 17.28% of the assets distributed and the Series B and common stock shareholders will receive 82.72% of the assets distributed on a pro rata basis until Series A preferred shareholders have received an amount equal to the purchase price of each share owned plus accrued dividends. Thereafter, all shareholders of preferred stock and common stock share on an as-converted basis. The distribution provisions in effect at December 31, 1997 called for distribution to the Series A in an amount equal to the original purchase price for each share owned plus accrued dividends prior to any distributions to the common stock shareholders.

Stock options

The 1996 Stock Option Plan (the Plan) was approved by shareholders of the Company in August 1996 and became effective August 8, 1996 and was amended on November 6, 1997 to increase the number of options available for grants to a maximum of 1,528,664 shares of the Company's common stock. Qualified stock options may be granted to an employee of the Company and nonqualified stock options may be granted to an employee or a nondirector of the Company or to consultants, agents, advisors and independent contractors who provide services or other benefits to the Company. The option price per share may not be less than the estimated fair

market value of a share of common stock as determined by the board of directors on the date of grant, and the maximum term of an option may not exceed ten years. Each option is exercisable at the time it is granted and the shares covered by the option vest at a rate of 25% each year, unless accelerated by the plan administrator or upon certain other circumstances as defined in the plan document.

At the sole discretion of the plan administrator, consideration for the purchase of shares under the Plan may be paid either at the time the options are granted or at any time prior to exercise of the option. Payment may be in the form of cash, common stock already owned by the optionee, promissory notes or such other consideration as the plan administrator may permit. Unvested options for which consideration has been exchanged prior to exercise of the options are subject to repurchase by the Company upon termination of employment or services at the exercise price paid for the shares. Accordingly, all options outstanding are considered exercisable although the options may be unvested.

In December 1997, all but 29,457 options previously issued were canceled and reissued at an exercise price equal to $0.068, the fair market value of the Company's common stock at the new date of grant. The term of all outstanding options is ten years. The vesting of outstanding options reissued in December 1997 has been accelerated to account for prior years of service, the balance to vest in accordance with the Plan. In 1997 and 1996, no stock options issued under the Plan were exercised.

In addition, during the year ended December 31, 1997 a warrant to purchase 23,000 shares of common stock for $0.068 per share was issued as part of a severance agreement.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its plan. No compensation cost has been charged against income for the Plan for the year ended December 31, 1997 and 1996. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates consistent with the method of Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation (SFAS 123), the Company's net loss would have increased by $164,582 for the period from August 7, 1995 (inception) to December 31, 1997 and by $109,640 and $54,942 for the years ended December 31, 1997 and 1996, respectively.

For SFAS 123 pro forma disclosure, the fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997 and 1996; dividend and volatility of zero; risk-free interest rates of 5.63% and 6.62%, respectively; and an expected life of 5 years.

As of December 31, 1997 and 1996, options for 728,166 and 882 shares of common stock, respectively, were available for future grant.

A summary of the Company's stock option plan as of December 31, 1997 and changes during the period from inception through December 31, 1995 and the years ended December 31, 1997 and 1996 is presented below:

<TABLE>
<CAPTION>

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at August 7, 1995 (inception)	--	
Granted	--	
Exercised	--	
Canceled		
Outstanding at December 31, 1995	--	
Granted	74,118	$10.00
Exercised	--	
Canceled		
Outstanding at December 31, 1996	74,118	$10.00
Granted	776,879	$ 0.14
Exercised		
Canceled	50,499	$10.00
Outstanding at December 31, 1997	800,498	$ 0.43
Options exercisable at year-end	800,498	$ 0.43
Weighted-average fair value of:		
Options granted during 1997		$ 0.04
Options granted during 1996		$ 2.82
Weighted-average remaining contractual life at December 31, 1997		9.95
Weighted-average remaining contractual life at December 31, 1996		9.42

</TABLE>

6. INCOME TAXES

A current provision for income taxes was not recorded for the year ended December 31, 1997 due to taxable losses incurred during such period. A valuation allowance has been recorded for deferred tax assets because realization is primarily dependent on generating sufficient taxable income prior to the expiration of net operating loss carry-forwards.

Deferred tax assets are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1997	1996
<S>	<C>	<C>
Net operating loss carry-forward	$ 2,009,000	$ 596,000
Less: Valuation allowance	(2,009,000)	(596,000)
	$ --	$ --

</TABLE>

At December 31, 1997, the Company has net operating loss carry-forwards of approximately $5,909,000 for federal income tax reporting purposes of which approximately $2,944,000 were generated in periods in which the Company was a subsidiary of Egghead. The net operating losses will expire beginning in 2012 if not previously utilized. Based upon the ownership changes in November 1997, as described in Note 5, utilization of substantially all of the net operating loss carry-forwards is limited to $219,583 per year.

7. SUBSEQUENT EVENT

On August 31, 1998, the Company and its stockholders entered into an agreement to sell 100% of its stock.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEET (UNAUDITED)

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
ASSETS	
Cash and cash equivalents	$ 1,467,000
Accounts receivable	114,000
Prepaid expenses	1,000
Total current assets	1,582,000
Other assets	40,000
Property and equipment, net	477,000
	$ 2,099,000
LIABILITIES AND SHAREHOLDERS' EQUITY	
Accounts payable	$ 90,000
Accrued payroll and related benefits	206,000
Current portion, capital lease obligations	116,000
Deferred revenue	180,000
Other accrued liabilities	366,000
Total current liabilities	958,000
Capital lease obligation, net of current portion	24,000
Commitments and contingencies	
Shareholders' equity	
Convertible preferred stock:	
Series B, $.01 par value; 4,389,945 shares authorized, issued and outstanding at June 30, 1998	43,000
Series A, $.01 par value; 917,229 shares authorized, issued and outstanding at June 30 1998	9,000
Common stock, $.01 par value; 9,692,826 shares authorized; 875,923 shares issued and outstanding at June 30, 1998	9,000
Additional paid-in capital	11,124,000
Deficit accumulated during the development stage	(10,068,000)
Total shareholders' equity	1,117,000
	$ 2,099,000

</TABLE>

See accompanying notes to unaudited interim financial statements.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
<S>	<C>	<C>
Sales	$ 376,000	$
Cost of sales	110,000	
Gross profit	266,000	
Operating expenses:		
Research and development	967,000	629,000
Sales and marketing	468,000	880,000
General and administrative	488,000	1,037,000
Total operating expenses	1,923,000	2,546,000
Operating loss	(1,657,000)	(2,546,000)
Interest expense		(274,000)
Other income	46,000	6,000
Loss before income tax expense	(1,611,000)	(2,814,000)
Income tax expense	--	--
Net loss	$(1,611,000)	$(2,814,000)
Basic and diluted net loss per common share	$ (2.55)	$ (56,280)
Weighted average number of common shares outstanding.	633,088	50
Pro forma basic and diluted net loss per common share	$ (.26)	
Pro forma weighted average number of common shares outstanding	6,183,097	

</TABLE>

See accompanying notes to unaudited interim financial statements.

ELEKOM CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(1,611,000)	$(2,814,000)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation	82,000	72,000
Changes in assets and liabilities:		
Accounts receivable	(65,000)	8,000
Prepaid expenses and other assets	(18,000)	60,000
Accounts payable	55,000	(8,000)
Accrued payroll and related benefits	(30,000)	3,000
Deferred revenue	129,000	
Other accrued liabilities	271,000	12,000

Net cash used in operating activities.....	(1,187,000)	(2,667,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures.....	(186,000)	(44,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital lease obligations.....	(88,000)	(45,000)
Proceeds from issuance of Series B convertible preferred stock.....	91,000	
Proceeds from exercise of stock options.....	60,000	
Net borrowings from Egghead, Inc.....		1,710,000
Net cash provided by financing activities.....	63,000	1,665,000
Net increase (decrease) in cash and cash equivalents.	(1,310,000)	1,046,000
Cash and cash equivalents at beginning of period.....	2,777,000	1,683,000
Cash and cash equivalents at end of period.....	$ 1,467,000	$ 637,000

See accompanying notes to unaudited interim financial statements.

ELEKOM CORPORATION

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The balance sheet presented as of June 30, 1998 and for the six months ended June 30, 1998 and 1997 has not been audited. In the opinion of management, the unaudited interim balance sheet, statements of income and of cash flows include all adjustments consisting solely of normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows as of and for the periods presented of ELEKOM Corporation (the Company).

The financial statements of the Company for all periods prior to November 10, 1997 reflect the results of operations, financial position, and cash flows of ELEKOM as a wholly owned subsidiary of Egghead and may not be indicative of actual results of operations and financial position of the Company under other ownership.

The statement of operations for the six months ended June 30, 1997 reflects certain expense items incurred by Egghead which were allocated to the Company on a basis which management believes represents a reasonable allocation of such costs to present ELEKOM as a stand-alone company. These allocations consist primarily of corporate expenses such as executive and other compensation, depreciation of corporate assets, rent expense and legal fees and interest expense on intercompany borrowings. The corporate expenses have been allocated based on an estimate of Egghead personnel time dedicated to the operations and management of ELEKOM. Interest expense has been allocated based on ELEKOM's estimated borrowing rate (10%) and actual intercompany borrowings. A summary of these allocations is as follows:

	CORPORATE EXPENSE	INTEREST EXPENSE
Six months ended June 30, 1997.....	$284,000	$274,000

BUSINESS

The Company was in the development stage as of and for the period from inception through June 30, 1998. In connection with its development activities, the Company has incurred costs to incorporate and establish its business activities as well as the design and development of the Company's

initial product, ELEKOM Procurement, which was available for sale in June 1997. As a result, cash requirements have exceeded cash receipts and the Company must obtain interim financing or additional capital to continue its development, sales and marketing efforts. Management plans to obtain such financing or capital during the year; however, there can be no assurance that financing or capital can be obtained. As a result, even though the accompanying financial statements have been prepared assuming that the Company will continue as a going concern, there is substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NET LOSS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (FAS 128), Earnings per Share. FAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options and convertible securities. Earnings per share for 1996 reflect the adoption of FAS 128. Net loss per share assuming dilution for the six months ended June 30, 1998 and 1997 is equal to net loss per share due to the fact that the effect of common stock equivalents outstanding during the periods is anti-dilutive.

Given the changes in ELEKOM's capital structure as a result of the 1997 recapitalization and the changes to be effected as a result of the Merger pro forma earnings per share is presented. Pro forma earnings per share is calculated based on the number of shares of common stock and preferred stock outstanding at June 30, 1998 and has been adjusted to give effect to the conversion of all shares of preferred stock into common stock that will occur in connection with the Merger. Stock options outstanding at each period and have not been included in the loss per share calculations as their effect is antidilutive

APPENDIX B

August 24, 1998

Board of Directors

SQL Financials International, Inc.
3950 Johns Creek Court, Suite 100
Suwanee, Georgia 30024

Gentlemen:

We understand that Elekom Corporation, a Washington corporation ("Company"), and SQL Financials International, Inc., a Delaware corporation ("Acquiror"), are expected to enter into an Agreement and Plan of Reorganization dated on or about August 31, 1998 (the "Agreement"), pursuant to which Company will be merged into a wholly-owned subsidiary of the Acquiror (the "Merger"). Pursuant to the Merger, as more fully described in the Agreement and as further described to us by management of Acquiror, we understand that Company's shareholders will be paid $8 million in cash and issued 1.35 million shares of Acquiror common stock, $.0001 par value per share ("Acquiror Common Stock"), (collectively, the "Consideration") for 100% of the outstanding capital stock of Company, subject to certain potential adjustments. The terms and conditions of the merger are set forth in more detail in the Agreement.

You have asked for our opinion as investment bankers as to whether the Consideration to be paid by Acquiror pursuant to the Merger is fair to Acquiror from a financial point of view, as of the date hereof. As you are aware, we were not retained to nor did we advise Acquiror with respect to alternatives to the Merger or Acquiror's underlying decision to proceed with or effect the Merger.

In connection with our opinion, we have, among other things: (i) reviewed certain available financial and other data with respect to Company and Acquiror, including the consolidated financial statements for recent years and interim periods to June 30, 1998, and certain other relevant financial and operating data relating to Company and Acquiror made available to us from published

sources and from the internal records of Company and Acquiror; (ii) reviewed the financial terms and conditions of the Agreement; (iii) reviewed certain publicly available information concerning the trading of, and the trading market for Acquiror Common Stock; (iv) compared Company and Acquiror from a financial point of view with certain other companies which we deemed to be relevant; (v) considered the financial terms, to the extent publicly available, of selected recent business combinations and private financings which we deemed to be comparable, in whole or in part, to the Merger; (vi) reviewed and discussed with representatives of the management of Company and Acquiror certain information of a business and financial nature regarding Company and Acquiror, furnished to us by them, including financial forecasts and related assumptions of Company and Acquiror; (vii) made inquiries regarding and discussed the Merger and the Agreement and other

matters related thereto with Acquiror's counsel; and (viii) performed such other analyses and examinations as we have deemed appropriate.

In connection with our review, we have not assumed any obligation independently to verify the foregoing information and have relied on its being accurate and complete in all material respects. With respect to the financial forecasts for Company and Acquiror provided to us by their respective managements, upon their advice and with your consent we have assumed for purposes of our opinion that the forecasts have been reasonably prepared on bases reflecting the best available estimates and judgments of their respective managements at the time of preparation as to the future financial performance of Company and Acquiror and that they provide a reasonable basis upon which we can form our opinion. With respect to the forecasts for Company provided to us by its management, for purposes of our analyses we have assumed that they provide a reasonable basis upon which we can form our opinions. We have also assumed that there have been no material changes in Company's or Acquiror's assets, financial condition, results of operations, business or prospects since the respective dates of their last financial statements made available to us. We have relied on advice of counsel and independent accountants to Acquiror as to all legal and financial reporting matters with respect to Acquiror, the Merger and the Agreement. We have assumed that the Merger will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. In addition, we have not assumed responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of Company or Acquiror, nor have we been furnished with any such appraisals. You have informed us, and we have assumed, that the Merger will be recorded as a purchase under generally accepted accounting principles. Finally, our opinion is based on economic, monetary and market and other conditions as in effect on, and the information made available to us as of, the date thereof. Accordingly, although subsequent developments may affect this opinion, we have not assumed any obligation to update, revise or reaffirm this opinion.

We have further assumed with your consent that the Merger will be consummated in accordance with the terms described in the Agreement, without any further amendments thereto, and without waiver by Acquiror and Company of any of the conditions to their obligations thereunder.

We are rendering a fairness opinion to the Board of Directors of the Acquiror in connection with the Merger and will receive a fee for our services. In the ordinary course of our business, we actively trade the equity securities of Acquiror for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. We have also acted as an underwriter in connection with offerings of securities of Acquiror and performed various investment banking services for Acquiror.

Based upon the foregoing and in reliance thereon, it is our opinion as investment bankers that the Consideration to be paid by Acquiror pursuant to the Agreement is fair to Acquiror from a financial point of view, as of the date hereof.

This opinion is directed to the Board of Directors of Acquiror in its consideration of the Merger and is not a recommendation to any shareholders as to how such shareholder should vote with respect to the Merger. Further, this opinion addresses only the financial fairness of the Consideration to the Acquiror and does not address the relative merits of the Merger and any alternatives to the Merger, Acquiror's underlying decision to proceed with or effect the Merger, or any other aspect of the Merger. This opinion may not be used or referred to by Acquiror, or quoted or disclosed to any person in any manner, without our prior written consent, which consent is hereby given to the inclusion of this opinion in any proxy statement, tender offer statement of prospectus filed with the Securities and Exchange Commission in connection with the Merger. In furnishing this opinion, we do not admit that we are experts within the meaning of the term "experts" as used in the Securities Act and the rules and regulations promulgated thereunder, nor do we admit that this opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act.

Very truly yours,

NATIONSBANC MONTGOMERY SECURITIES, LLC

Appendix B

August 24, 1998

Board of Directors

SQL Financials International, Inc.
3950 Johns Creek Court, Suite 100
Suwanee, Georgia 30024

Gentlemen:

We understand that Elekom Corporation, a Washington corporation ("Company"), and SQL Financials International, Inc., a Delaware corporation ("Acquiror"), are expected to enter into an Agreement and Plan of Reorganization dated on or about August 24, 1998 (the "Agreement"), pursuant to which Company will be merged into a wholly-owned subsidiary of the Acquiror (the "Merger"). Pursuant to the Merger, as more fully described in the Agreement and as further described to us by management of Acquiror, we understand that Company's shareholders will be paid $8 million in cash and issued 1.35 million shares of Acquiror common stock, $.0001 par value per share ("Acquiror Common Stock"), (collectively, the "Consideration") for 100% of the outstanding capital stock of Company, subject to certain potential adjustments. The terms and conditions of the merger are set forth in more detail in the Agreement.

You have asked for our opinion as investment bankers as to whether the Consideration to be paid by Acquiror pursuant to the Merger is fair to Acquiror from a financial point of view, as of the date hereof. As you are aware, we were not retained to nor did we advise Acquiror with respect to alternatives to the Merger or Acquiror's underlying decision to proceed with or effect the Merger.

In connection with our opinion, we have, among other things: (i) reviewed certain available financial and other data with respect to Company and Acquiror, including the consolidated financial statements for recent years and interim periods to June 30, 1998, and certain other relevant financial and operating data relating to Company and Acquiror made available to us from published sources and from the internal records of Company and Acquiror; (ii) reviewed the financial terms and conditions of the Agreement; (iii) reviewed certain publicly available information concerning the trading of, and the trading market for Acquiror Common Stock; (iv) compared Company and Acquiror from a financial point of view with certain other companies which we deemed to be relevant; (v) considered the financial terms, to the extent publicly available, of selected

recent business combinations and private financings which we deemed to be comparable, in whole or in part, to the Merger; (vi) reviewed and discussed with representatives of the management of Company and Acquiror certain information of

a business and financial nature regarding Company and Acquiror, furnished to us by them, including financial forecasts and related assumptions of Company and Acquiror; (vii) made inquiries regarding and discussed the Merger and the Agreement and other matters related thereto with Acquiror's counsel; and (viii) performed such other analyses and examinations as we have deemed appropriate.

In connection with our review, we have not assumed any obligation independently to verify the foregoing information and have relied on its being accurate and complete in all material respects. With respect to the financial forecasts for Company and Acquiror provided to us by their respective managements, upon their advice and with your consent we have assumed for purposes of our opinion that the forecasts have been reasonably prepared on bases reflecting the best available estimates and judgments of their respective managements at the time of preparation as to the future financial performance of Company and Acquiror and that they provide a reasonable basis upon which we can form our opinion. With respect to the forecasts for Company provided to us by its management, for purposes of our analyses we have assumed that they provide a reasonable basis upon which we can form our opinions. We have also assumed that there have been no material changes in Company's or Acquiror's assets, financial condition, results of operations, business or prospects since the respective dates of their last financial statements made available to us. We have relied on advice of counsel and independent accountants to Acquiror as to all legal and financial reporting matters with respect to Acquiror, the Merger and the Agreement. We have assumed that the Merger will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. In addition, we have not assumed responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of Company or Acquiror, nor have we been furnished with any such appraisals. You have informed us, and we have assumed, that the Merger will be recorded as a purchase under generally accepted accounting principles. Finally, our opinion is based on economic, monetary and market and other conditions as in effect on, and the information made available to us as of, the date thereof. Accordingly, although subsequent developments may affect this opinion, we have not assumed any obligation to update, revise or reaffirm this opinion.

We have further assumed with your consent that the Merger will be consummated in accordance with the terms described in the Agreement, without any further amendments thereto, and without waiver by Acquiror and Company of any of the conditions to their obligations thereunder.

We are rendering a fairness opinion to the Board of Directors of the Acquiror in connection with the Merger and will receive a fee for our services. In the ordinary course of our business, we actively trade the equity securities of Acquiror for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

We have also acted as an underwriter in connection with offerings of securities of Acquiror and performed various investment banking services for Acquiror.

Based upon the foregoing and in reliance thereon, it is our opinion as investment bankers that the Consideration to be paid by Acquiror pursuant to the Agreement is fair to Acquiror from a financial point of view, as of the date hereof.

This opinion is directed to the Board of Directors of Acquiror in its consideration of the Merger and is not a recommendation to any shareholders as to how such shareholder should vote with respect to the Merger. Further, this opinion addresses only the financial fairness of the Consideration to the Acquiror and does not address the relative merits of the Merger and any alternatives to the Merger, Acquiror's underlying decision to proceed with or effect the Merger, or any other aspect of the Merger. This opinion may not be used or referred to by Acquiror, or quoted or disclosed to any person in any manner, without our prior written consent, which consent is hereby given to the inclusion of this opinion in any proxy statement, tender offer statement of prospectus filed with the Securities and Exchange Commission in connection with the Merger. In furnishing this opinion, we do not admit that we are experts within the meaning of the term "experts" as used in the Securities Act and the

rules and regulations promulgated thereunder, nor do we admit that this opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act.

Very truly yours,

NATIONSBANC MONTGOMERY SECURITIES, LLC

APPENDIX C

TITLE 23B. WASHINGTON BUSINESS CORPORATION ACT
CHAPTER 23B.13. DISSENTERS' RIGHTS

23B.13.010. DEFINITIONS

As used in this chapter:

(1) "Corporation" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(2) "Dissenter" means a shareholder who is entitled to dissent from corporate action under RCW 23B.13.020 and who exercises that right when and in the manner required by RCW 23B.13.200 through 23B.13.280.

(3) "Fair value," with respect to a dissenter's shares, means the value of the shares immediately before the effective date of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.

(4) "Interest" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

(5) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(6) "Beneficial shareholder" means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(7) "Shareholder" means the record shareholder or the beneficial shareholder.

23B.13.020. RIGHT TO DISSENT

(1) A shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder's shares in the event of, any of the following corporate actions:

(a) Consummation of a plan of merger to which the corporation is a party (i) if shareholder approval is required for the merger by RCW 23B.11.030, 23B.11.080, or the articles of incorporation and the shareholder is entitled to vote on the merger, or (ii) if the corporation is a subsidiary that is merged with its parent under RCW 23B.11.040;

(b) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(c) Consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote

on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(d) An amendment of the articles of incorporation that materially reduces the number of shares owned by the shareholder to a fraction of a share

if the fractional share so created is to be acquired for cash under RCW 23B.06.040; or

(e) Any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(2) A shareholder entitled to dissent and obtain payment for the shareholder's shares under this chapter may not challenge the corporate action creating the shareholder's entitlement unless the action fails to comply with the procedural requirements imposed by this title, RCW 25.10.900 through 25.10.955, the articles of incorporation, or the bylaws, or is fraudulent with respect to the shareholder or the corporation.

(3) The right of a dissenting shareholder to obtain payment of the fair value of the shareholder's shares shall terminate upon the occurrence of any one of the following events:

(a) The proposed corporate action is abandoned or rescinded;

(b) A court having jurisdiction permanently enjoins or sets aside the corporate action; or

(c) The shareholder's demand for payment is withdrawn with the written consent of the corporation.

23B.13.030. DISSENT BY NOMINEES AND BENEFICIAL OWNERS

(1) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the shareholder's name only if the shareholder dissents with respect to all shares beneficially owned by any one person and notifies the corporation in writing of the name and address of each person on whose behalf the shareholder asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares as to which the dissenter dissents and the dissenter's other shares were registered in the names of different shareholders.

(2) A beneficial shareholder may assert dissenters' rights as to shares held on the beneficial shareholder's behalf only if:

(a) The beneficial shareholder submits to the corporation the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights; and

(b) The beneficial shareholder does so with respect to all shares of which such shareholder is the beneficial shareholder or over which such shareholder has power to direct the vote.

23B.13.200. NOTICE OF DISSENTERS' RIGHTS

(1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.

(2) If corporate action creating dissenters' rights under RCW 23B.13.020 is taken without a vote of shareholders, the corporation, within ten days after [the] effective date of such corporate action, shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in RCW 23B.13.220.

23B.13.210. NOTICE OF INTENT TO DEMAND PAYMENT

(1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights must (a) deliver to the corporation before the vote is taken written notice of the shareholder's intent to demand payment for the shareholder's shares if the proposed action is effected, and (b) not vote such shares in favor of the proposed action.

(2) A shareholder who does not satisfy the requirements of subsection (1)

of this section is not entitled to payment for the shareholder's shares under this chapter.

23B.13.220. DISSENTERS' NOTICE

(1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of RCW 23B.13.210.

(2) The dissenters' notice must be sent within ten days after the effective date of the corporate action, and must:

(a) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(b) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(c) Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not the person acquired beneficial ownership of the shares before that date;

(d) Set a date by which the corporation must receive the payment demand, which date may not be fewer than thirty nor more than sixty days after the date the notice in subsection (1) of this section is delivered; and

(e) Be accompanied by a copy of this chapter.

23B.13.230. DUTY TO DEMAND PAYMENT

(1) A shareholder sent a dissenters' notice described in RCW 23B.13.220 must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the dissenters' notice pursuant to RCW 23B.13.220(2)(c), and deposit the shareholder's certificates in accordance with the terms of the notice.

(2) The shareholder who demands payment and deposits the shareholder's share certificates under subsection (1) of this section retains all other rights of a shareholder until the proposed corporate action is effected.

(3) A shareholder who does not demand payment or deposit the shareholder's share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for the shareholder's shares under this chapter.

23B.13.240. SHARE RESTRICTIONS

(1) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is effected or the restriction is released under RCW 23B.13.260.

(2) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until the effective date of the proposed corporate action.

23B.13.250. PAYMENT

(1) Except as provided in RCW 23B.13.270, within thirty days of the later of the effective date of the proposed corporate action, or the date the payment demand is received, the corporation shall pay each dissenter who complied with RCW 23B.13.230 the amount the corporation estimates to be the fair value of the shareholder's shares, plus accrued interest.

(2) The payment must be accompanied by:

(a) The corporation's balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(b) An explanation of how the corporation estimated the fair value of the shares;

(c) An explanation of how the interest was calculated;

(d) A statement of the dissenter's right to demand payment under RCW 23B.13.280; and

(e) A copy of this chapter.

23B.13.260. FAILURE TO TAKE ACTION

(1) If the corporation does not effect the proposed action within sixty days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release any transfer restrictions imposed on uncertificated shares.

(2) If after returning deposited certificates and releasing transfer restrictions, the corporation wishes to undertake the proposed action, it must send a new dissenters' notice under RCW 23B.13.220 and repeat the payment demand procedure.

23B.13.270. AFTER-ACQUIRED SHARES

(1) A corporation may elect to withhold payment required by RCW 23B.13.250 from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.

(2) To the extent the corporation elects to withhold payment under subsection (1) of this section, after taking the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of the dissenter's demand. The corporation shall send with its offer an explanation of how it estimated the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter's right to demand payment under RCW 23B.13.280.

23B.13.280. PROCEDURE IF SHAREHOLDER DISSATISFIED WITH PAYMENT OR OFFER

(1) A dissenter may notify the corporation in writing of the dissenter's own estimate of the fair value of the dissenter's shares and amount of interest due, and demand payment of the dissenter's estimate, less any payment under RCW 23B.13.250, or reject the corporation's offer under RCW 23B.13.270 and demand payment of the dissenter's estimate of the fair value of the dissenter's shares and interest due, if:

(a) The dissenter believes that the amount paid under RCW 23B.13.250 or offered under RCW 23B.13.270 is less than the fair value of the dissenter's shares or that the interest due is incorrectly calculated;

(b) The corporation fails to make payment under RCW 23B.13.250 within sixty days after the date set for demanding payment; or

(c) The corporation does not effect the proposed action and does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty days after the date set for demanding payment.

(2) A dissenter waives the right to demand payment under this section unless the dissenter notifies the corporation of the dissenter's demand in writing under subsection (1) of this section within thirty days after the corporation made or offered payment for the dissenter's shares.

23B.13.300. COURT ACTION

(1) If a demand for payment under RCW 23B.13.280 remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the

payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(2) The corporation shall commence the proceeding in the superior court of the county where a corporation's principal office, or, if none in this state, its registered office, is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(3) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled, parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

(4) The corporation may join as a party to the proceeding any shareholder who claims to be a dissenter but who has not, in the opinion of the corporation, complied with the provisions of this chapter. If the court determines that such shareholder has not complied with the provisions of this chapter, the shareholder shall be dismissed as a party.

(5) The jurisdiction of the court in which the proceeding is commenced under subsection (2) of this section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value The appraisers have the powers described in the order appointing them, or in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

(6) Each dissenter made a party to the proceeding is entitled to judgment (a) for the amount, if any, by which the court finds the fair value of the dissenter's shares, plus interest, exceeds the amount paid by the corporation, or (b) for the fair value, plus accrued interest, of the dissenter's after-acquired shares for which the corporation elected to withhold payment under RCW 23B.13.270.

23B.13.310. COURT COSTS AND COUNSEL FEES

(1) The court in a proceeding commenced under RCW 23B.13.300 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under RCW 23B.13.280.

(2) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

(a) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of RCW 23B.13.200 through 23B.13.280; or

(b) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by chapter 23B.13 RCW.

(3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefitted.

PART II

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Restated By-Laws of the Company (the "By-Laws") and the Restated Certificate of Incorporation (the "Restated Certificate") of the Company provide that the directors and officers of the Company shall be indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to directors, officers and controlling persons of the Company pursuant to the Restated By-Laws, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. The Company has obtained insurance which insures the directors and officers of the Company against certain losses and which insures the Company against certain of its obligations to indemnify such directors and officers. In addition, the Restated Certificate of the Company provides that the directors of the Company will not be personally liable for monetary damages to the Company for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to the Company or its stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors. Such limitations of personal liability under the Delaware Business Corporation Law do not apply to liabilities arising out of certain violations of the federal securities laws. While non-monetary relief such as injunctive relief, specific performance and other equitable remedies may be available to the Company, such relief may be difficult to obtain or, if obtained, may not adequately compensate the Company for its damages.

There is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification by the Company will be required or permitted. The Company is not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

Certain provisions of the Underwriting Agreement filed as Exhibit 1.1 to the Registrant's Form S-1 Registration Statement (File No. 333-46685) also contains certain provisions pursuant to which certain officers, directors and controlling persons of the Company may be entitled to be indemnified by the underwriters named therein.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
2.1	--Agreement and Plan of Reorganization dated August 31, 1998 by and between the Registrant and ELEKOM Corporation. (Included as Appendix A to this Registration Statement).
2.2	--Escrow and Minority Investment Agreement by and between the Registrant and ELEKOM Corporation and US Bank Trust National Association.
3.1	--Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference from Exhibit 3.3 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).
3.2	--Amended and Restated Bylaws of the Registrant (Incorporated by reference from Exhibit 3.4 of the Registrant's Form S-1 (File No. 333-46685)).
4.1	--See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Registrant defining rights of the holders of Common Stock of the Registrant.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
4.2	--Specimen Stock Certificate.
4.3	--Form of Voting Agreement by and among the Registrant and certain shareholders of ELEKOM Corporation.
4.4	--Form of Registration Rights Agreement by and between the Registrant and certain shareholders of ELEKOM Corporation.
4.5	--Form of Escrow and Indemnity Agreement by and among the Registrant, ELEKOM Corporation and certain shareholders of ELEKOM Corporation.
4.6	--Form of Market Standoff and Affiliate Agreement.
5.1	--Opinion of Womble Carlyle Sandridge & Rice, PLLC, as to the legality of the shares being registered.
8.1	--Opinion of Perkins Coie LLP, as to tax matters.
10.1	--Amended and Restated Shareholders' Voting Agreement dated September 1, 1995 (Incorporated by reference from Exhibit 10.1 of the Registrant's Form S-1 (File No. 333-46685)).
10.2	--Restated Shareholders Agreement dated September 1, 1995, as amended (Incorporated by reference from Exhibit 10.2 of the Registrant's Form S-1 (File No. 333-46685)).
10.3	--Stock Purchase Agreement dated February 15, 1996 (Series E) (Incorporated by reference from Exhibit 10.3 of the Registrant's Form S-1 (File No. 333-46685)).
10.4	--Stock Purchase Agreement dated September 26, 1997 (Series F) (Incorporated by reference from Exhibit 10.4 of the Registrant's Form S-1 (File No. 333-46685)).
10.5	--SQL 1992 Stock Option Plan, effective November 22, 1992 (Incorporated by reference from Exhibit 10.5 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).
10.6	--1998 Stock Incentive Plan, effective February 5, 1998 (with form option agreement) (Incorporated by reference from Exhibit 10.6 of the Registrant's Form S-1 (File No. 333-46685)).
10.7	--Lease Agreement between the Registrant and Technology Park/Atlanta, Inc. dated March 20, 1997 (Incorporated by reference from Exhibit 10.7 of the Registrant's Form S-1 (File No. 333-46685)).
10.8	--License and Private Label Agreement between the Registrant and Personnel Data Systems, Inc. dated March 1, 1996 (with addendum) (Incorporated by reference from Exhibit 10.8 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).
10.9	--Loan and Security Agreement with Silicon Valley Bank dated March 28, 1997 (Incorporated by reference from Exhibit 10.9 of the Registrant's Form S-1 Registration Statement (File No. 333-46685).
10.10	--Leasing Technologies International, Inc. Master Lease Agreement dated March 13, 1997 (Incorporated by reference from Exhibit 10.10 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).
10.11	--Leasing Technologies International, Inc. Master Note and Security Agreement dated March 20, 1997 (Incorporated by reference from Exhibit 10.11 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

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<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
10.12	--Software License and Support Agreement between the Registrant and McCall Consulting Group dated February 5, 1998 (Incorporated by reference from Exhibit 10.12 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.13 --Agreement between the Registrant and Joseph S. McCall dated February 5, 1998 (Incorporated by reference from Exhibit 10.13 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.14 --Independent Contractor Agreement between the Registrant and McCall Consulting Group, Inc. dated February 5, 1998 (Incorporated by reference from Exhibit 10.14 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.15 --Independent Contractor Agreement between Registrant and Joseph S. McCall dated February 5, 1998 (Incorporated by reference from Exhibit 10.15 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.16 --Letter Agreement regarding Joseph McCall 1998 Compensation Plan dated February 5, 1998 (Incorporated by reference from Exhibit 10.16 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.17 --Loan and Security Agreement between the Company, SQL Financial Services, L.L.C. and Silicon Valley Bank (Incorporated by reference from Exhibit 10.17 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.18 --Lease Agreement between the Registrant and Technology Park/Atlanta, Inc. dated July 24, 1998.

10.19 --Assignment and Assumption of Leases between Technology Park/Atlanta, Inc. and Metropolitan Life Insurance Company dated July 24, 1998.

10.20 --Acquisition Agreement between the Registrant and Technology Ventures, LLC dated February 5, 1998, (Incorporated by reference from Exhibit 2.1 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.21 --Non-Negotiable Subordinated Promissory Note to Technology Ventures, LLC dated February 5, 1998, (Incorporated by reference from Exhibit 2.2 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.22 --Warrant for purchase of 200,000 shares issued to Technology Ventures, LLC dated February 5, 1998, (Incorporated by reference from Exhibit 2.3 of the Registrant's Form S-1 Registration Statement (File No. 333-46685)).

10.23 --OEM Software License Agreement by and between the Registrant and ELEKOM Corporation.

10.24 --Amendment OEM Software License Agreement by and between the Registrant and ELEKOM Corporation.

21.1 --List of Subsidiaries.

23.1 --Consent of Arthur Andersen LLP.

23.2 --Consent of PricewaterhouseCoopers LLP

23.3 --Consent of Womble Carlyle Sandridge & Rice, PLLC (included in Exhibit 5.1)

</TABLE>

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EXHIBIT NO.	DESCRIPTION
<C>	<S>
23.4	--Consent of NationsBanc Montgomery Securities LLC (included in Appendix B)
23.5	--Consent of Perkins Coie LLP (included in Exhibit 8.1)
24.1	--Powers of Attorney (included on signature page).
99.1	--Report of Independent Public Accountants on Financial Statement Schedule.
99.2	--Proxy and Consent ELEKOM Corporation.
99.3	--Form of Cash/Stock Election Form for ELEKOM Shareholders.

</TABLE>

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(b) Schedule II--Valuation and Qualifying Accounts

ITEM 22. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement;

(i) To include any Prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or event arising after the Effective Time of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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

(b) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(c) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, THE REGISTRANT HAS DULY CAUSED THIS FORM S-4 REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF SUWANEE, STATE OF GEORGIA, ON THE 16TH DAY OF SEPTEMBER, 1998.

SQL Financials International, Inc.

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

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS THAT EACH PERSON WHOSE SIGNATURE APPEARS ON THE SIGNATURE PAGES TO THIS REGISTRATION STATEMENT CONSTITUTES AND APPOINTS STEPHEN P. JEFFERY AND WILLIAM A. FIELDER III, AND EACH OF THEM HIS TRUE AND LAWFUL ATTORNEYS-IN-FACT AND AGENTS, WITH FULL POWER OF SUBSTITUTION AND RESUBSTITUTION, FOR THE UNDERSIGNED AND IN HIS NAME, PLACE AND STEAD, IN ANY AND ALL CAPACITIES, TO SIGN ANY AND ALL AMENDMENTS TO THIS REGISTRATION STATEMENT, AND TO FILE THE SAME, WITH ALL EXHIBITS HERETO AND OTHER DOCUMENTS IN CONNECTION HEREWITH WITH THE SECURITIES AND EXCHANGE COMMISSION, GRANTING UNTO SAID ATTORNEYS-IN-FACT AND AGENTS AND EACH OF THEM, FULL POWER AND AUTHORITY TO DO SO AND PERFORM EACH AND EVERY ACT AND THING REQUISITE AND NECESSARY TO BE DONE IN AND ABOUT THE PREMISES, AS FULLY TO ALL INTENTS AND PURPOSES AS HE MIGHT OR COULD DO IN PERSON, HEREBY RATIFYING AND CONFIRMING ALL THAT SAID ATTORNEYS-IN-FACT AND AGENTS OR EITHER OF THEM, OR THEIR OR HIS SUBSTITUTE OR SUBSTITUTES, MAY LAWFULLY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ Stephen P. Jeffery _____ Stephen P. Jeffery	Chairman, Chief Executive Officer (Principal Executive Officer); President and Director	September 16, 1998
/s/ William A. Fielder III _____ William A. Fielder III	Chief Financial Officer (Principal Financial and Accounting Officer)	September 16, 1998
/s/ William S. Kaiser _____ William S. Kaiser	Director	September 16, 1998
/s/ Donald L. House _____ Donald L. House	Director	September 16, 1998
/s/ Tench Coxe _____ Tench Coxe	Director	September 16, 1998
/s/ Said Mohammadioun _____ Said Mohammadioun	Director	September 16, 1998
/s/ Mark A. Johnson _____ Mark A. Johnson	Director	September 16, 1998

</TABLE>

EXHIBIT 2.1

APPENDIX A

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (together with all Schedules and Exhibits hereto, this "Agreement"), dated as of August 31, 1998, is entered into by and among ELEKOM CORPORATION, a Washington corporation (the "Company") and CLARUS CORPORATION, formerly known as SQL FINANCIALS INTERNATIONAL, INC., a Delaware corporation ("Parent"), and CLARUS CSA, INC., a Delaware corporation and wholly owned subsidiary of Parent ("Newco"). Parent and Newco are collectively referred to as "Acquiror."

R E C I T A L S :

1. The Company is in the business of developing, marketing and licensing computer software programs specifically for electronic procurement (the "Business").
----

2. The respective Boards of Directors of Parent, Newco and the Company have approved the merger of the Company with and into Newco, upon the terms and subject to the conditions set forth herein.

A G R E E M E N T :

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency which is hereby acknowledged, the Company and Acquiror agree as follows:

ARTICLE I
PLAN OF REORGANIZATION

1.1 The Merger. Subject to the terms and conditions of this Agreement, the Certificate of Merger (the "Certificate of Merger") will be filed with the Secretary of State of the States of Washington and Delaware on the Closing Date substantially in the form of Exhibit "A" hereto. The date and time that the Certificate of Merger is filed with the Secretary of State of Delaware and the Merger thereby become effective will be referred to in this Agreement as the "Effective Time." Subject to the terms and conditions of this Agreement and the Certificate of Merger, the Company will be merged with and into Newco in a statutory merger pursuant to the Certificate of Merger and in accordance with applicable law as follows:

1.1.1 Conversion of Company's Shares. Each share of capital stock of the Company (the "Company Shares"), that is issued and outstanding immediately prior to the Effective Time, will, by virtue of the Merger and at the Effective Time, be converted into (i) a specified amount of cash consideration, or (ii) a number of shares of fully paid and nonassessable common stock of Parent, $.0001 par value per share ("Parent Common Stock") or (iii) a combination of cash consideration and Parent Common Stock pursuant to the cash election and allocation procedures set forth on Schedule 1.1 hereto, so that the total number of shares of Parent Common Stock issued to the shareholders of the Company at the Effective Time (the "Shareholders") will equal One Million Three Hundred Fifty Thousand (1,350,000) shares, subject only to the adjustment set forth below in Subsection 1.1.3, and the total cash consideration received by the Shareholders will equal an aggregate amount of Eight Million Dollars

($8,000,000). Subject to Section 1.5, the cash consideration shall be paid at Closing by wire transfer or certified check. As of the Closing, the Company will have allocated the cash and stock consideration substantially in the manner described on Schedule 1.1, and in a manner to fully satisfy all dividend rights, interest accruals, liquidation preferences and other rights and preferences of the Company's preferred stock, which Company represents is in compliance with the Company's Articles of Incorporation, and has otherwise allocated the cash and stock consideration disproportionately but in a manner which Company represents fully complies with its Articles of Incorporation, contractual commitments and applicable law. No rights, preferences or benefits of the Company's preferred stock, whether by contract or otherwise, will survive the closing of the Merger hereunder.

1.1.2 Newco Shares. Each share of Newco common stock, par value $0.0001 ("Newco Common Stock"), that is issued and outstanding immediately prior to the Effective Time, will remain outstanding after the Effective Time.

1.1.3 Stock Adjustment. In the event the last reported sales price for Parent Common Stock as reported by Nasdaq on the trading day immediately preceding the Closing Date is less than $5.93, then, subject to the termination rights set forth in Sections 10.1(f), 10.1(g) and 10.1(h) hereof, the aggregate number of shares of Parent Common Stock to be issued to the Shareholders in connection herewith shall be increased by a number of shares necessary so that the aggregate value of such shares, based on the last reported sales price per share as reported by Nasdaq on the trading day immediately preceding the Closing Date, shall equal Eight Million Dollars ($8,000,000), provided that the maximum number of additional shares shall not exceed 41,305. Any increased number of shares will be allocated to the Shareholders pursuant to the cash election and allocation procedures set forth in Schedule 1.1.

1.2 Fractional Shares. No fractional shares of Parent Common Stock will be issued in connection with the Merger.

1.3 Effects of the Merger. At the Effective Time: (a) the separate existence of the Company will cease and the Company will be merged with and into Newco, and Newco will be the surviving corporation (the "Surviving Corporation") pursuant to the terms of the Certificate of Merger; (b) the Articles of Incorporation and Bylaws of Newco will be the Articles

of Incorporation and Bylaws of the Surviving Corporation; (c) the directors of Newco in effect at the Effective Time will be the directors of Newco as the surviving corporation, and the officers of Newco will be the officers of Newco as the surviving corporation; (d) all Company Shares outstanding immediately prior to the Effective Time will be converted as provided in Section 1.1.1; (e) each share of Newco Common Stock outstanding immediately prior to the Effective Time will remain outstanding as provided in Section 1.1.2 above; and (f) the Merger will, at and after the Effective Time, have all of the effects provided by applicable law. All rights, franchises and interests of the Company in and to every type of property (real, personal, tangible, intangible and mixed), and all choses in action of the Company shall be transferred to and vested in Newco without any deed or other transfer. Newco, upon consummation of the Merger and without any order or other action on the part of any court or otherwise, shall hold and enjoy all rights of property, franchises and interests in the same manner and to the same extent as such rights, franchises and interests were held or enjoyed by the Company at the Effective Time.

1.4 Tax-Free Reorganization. The parties intend to adopt this Agreement as a tax-free plan of reorganization and to consummate the Merger in accordance with the provisions of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). The parties believe that the value of the Parent Common Stock and the cash consideration to be received by the Shareholders in the Merger is equal to the value of the Company Shares to be surrendered in exchange therefor. The Parent Common Stock issued in the Merger will be issued solely in exchange for the Company Shares, and no other

transaction other than the Merger represents, provides for or is intended to be an adjustment to, the consideration paid for the Company Shares. No representations have been made by Acquiror or its counsel, accountants or advisors with respect to the tax consequences of the Merger.

1.5 Escrow. Two Million Five Hundred Thousand Dollars ($2,500,000) of the total cash consideration to be paid to the Shareholders will be placed in escrow at Closing with NationsBank, N.A., who shall hold such funds in escrow until April 30, 2000, in accordance with the Escrow and Indemnity Agreement substantially in the form attached to this Agreement as Exhibit 1.5, which will be executed and delivered by Acquiror, Company and the Company's preferred shareholders at the Closing with changes requested by NationsBank, N.A. that are mutually agreeable to Acquiror, Company and each of the Company's preferred shareholders (the "Escrow and Indemnity Agreement").

1.6 Stock Options. As of Closing, there shall be no stock options of the Company outstanding; it being specifically understood and agreed that the Acquiror shall not assume any warrants, stock options or other similar rights to acquire stock or any other equity interest, or liabilities of, in the Company.

1.7 Dissenting Shareholders. Any Shareholder who perfects such holder's dissenters' rights of appraisal in accordance with and as contemplated by Chapter 23B.13 of the Washington Business Corporations Act shall be entitled to receive the value of such shares in cash as determined pursuant to such provision of law; provided, that no such payment shall be made to any dissenting Shareholder unless and until such dissenting Shareholder has complied

with the applicable provisions of the Washington Corporate Code and surrendered to Acquiror the certificate or certificates representing the shares for which payment is being made. In the event that after the Effective Time a dissenting Shareholder fails to perfect, or effectively withdraws or loses, such holder's right to appraisal and of payment for such holder's shares, Acquiror shall issue and deliver the consideration to which such holder of Company Shares is entitled under this Article I (without interest) upon surrender by such holder of the certificate or certificates representing Company Shares held by such holder.

1.8 Exchange Procedures. After the Effective Time, each Shareholder shall surrender the certificate or certificates representing such Shareholder's Company Shares to Parent or a transfer agent designated by Parent and shall promptly upon surrender thereof receive in exchange therefor the consideration provided in Section 1.1.1 of this Agreement. Parent shall not be obligated to deliver the consideration to which any Shareholder is entitled as a result of the Merger until such holder (i) surrenders his or her certificate or certificates representing the Company Shares for exchange as provided in this Section 1.8, (ii) warrants that such holder holds all right, title and interest in the Company Shares free and clear of any lien, claim or encumbrances, and (iii) indemnifies the Company and each of the preferred shareholders identified on Schedule 9.1 (the "Preferred Shareholders") for breach of such warranty. The certificate or certificates of Company Shares so surrendered shall be duly endorsed as may be required by the Parent's transfer agent.

1.9 Rights of Former Shareholders. At the Effective Time, the stock transfer books of Company shall be closed as to holders of Company Shares immediately prior to the Effective Time, and no transfer of Company Shares by any such holder shall thereafter be made or recognized. Until surrendered for exchange in accordance with the provisions of Section 1.8 of this Agreement, each certificate theretofore representing Company Shares (other than shares as to which dissenters' rights have been perfected as provided in Section 1.7 of this Agreement) shall, from and after the Effective Time, represent for all purposes only the right to receive the consideration provided in Section 1.1.1 of this Agreement in exchange therefor.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF COMPANY

The Company represents and warrants to Acquiror as follows:

2.1 Capital Stock.

(a) The authorized capital stock of the Company consists (i) of 9,712,826 shares of common stock, of which 930,423 shares are issued and outstanding as of the date of this Agreement, and up to an additional 251,235 shares are subject to outstanding options as of the date of this Agreement; and (ii) 5,327,174 shares of preferred stock, of which (1) 917,229 shares are designated Series A Preferred Stock, of which 917,229 are issued and outstanding as of the date of this Agreement and will be issued and outstanding as of the Closing Date, and (2) 4,409,945 shares are designated Series B Preferred Stock, of which

4,389,945 shares are issued and outstanding as of the date of this Agreement and will be issued and outstanding as of the Closing Date. All of the issued and outstanding shares of capital stock of the Company are duly and validly issued and outstanding and are fully paid and nonassessable. None of the outstanding Company Shares has been issued in violation of any preemptive rights of the current or past shareholders of the Company.

(b) Except as set forth on Schedule 2.1(b), there are no shares of capital stock or other equity securities of the Company outstanding and no outstanding Rights relating to the capital stock of the Company. For purposes hereof, "Rights" shall mean all arrangements, calls, commitments, contracts, options, rights to subscribe to, scrip, understandings, warrants and other binding obligations of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of the capital stock of the Company or by which the Company is or may be bound to issue additional shares of its capital stock or other Rights.

(c) The Company has no subsidiaries and owns no equity or other interest in any corporation, partnership, joint venture, limited liability company or other entity whatsoever.

(d) Each Shareholder has the unrestricted right to exchange his Company Shares for the Parent Common Stock to be issued pursuant to the Merger.

2.2 Organization and Good Standing; Governing Documents. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington. The Company has all requisite power and authority to own, operate its assets and to conduct its operations as presently conducted. The Company is duly qualified to do business as a foreign corporation in all other jurisdictions in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, and such jurisdictions are listed on Schedule 2.2.

Company has previously delivered to Acquiror true and complete copies of its Bylaws and Articles of Incorporation, including all amendments thereto.

2.3 Authority. Company has all requisite power and authority to execute and deliver this Agreement, the Certificate of Merger, the Escrow and Indemnity Agreement, the Escrow and Minority Investment Agreement and the Shareholders have the requisite power and authority to execute and deliver the agreements contemplated herein to be executed by the Shareholders (collectively, the "Company Agreements") and to consummate the transactions contemplated hereby and thereby, other than the approval of the shareholders of the Company. Except for such shareholder approval, the execution, delivery and performance of the Company Agreements have been duly and validly authorized by all necessary corporate and shareholder action on the part of Company. The Company Agreements have been, or, with respect to Company Agreements to be executed at the Closing, will be duly executed and delivered by

Company and the Shareholder and each constitutes or will constitute when executed and delivered a valid and binding obligation of Company and the Shareholders, enforceable against Company and the Shareholders, respectively, in accordance with its terms, except as may be limited by bankruptcy, judicial discretion, public policy and other equitable principles.

2.4 No Conflict or Breach. Except as disclosed on Schedule 2.4, the execution, delivery and performance of the Company Agreements do not and will not (a) conflict with or constitute a violation of the Articles of Incorporation or Bylaws of Company; (b) conflict with or constitute a violation of any law, statute, judgment, order, decree or regulation of any legislative body, court, administrative agency, governmental authority or arbitrator applicable to or relating to Company or the Business; (c) conflict with, constitute a default under, result in a material breach or acceleration of or, except as set forth on Schedule 2.5, require notice to or the consent of any third party or result in any rights of a third party under any contract, agreement, commitment, mortgage, note, license or other instrument or obligation to which Company is party or by which it is bound or by which its assets are affected; or (d) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on or give any third party any rights in any of the Company's assets.

2.5 Consents and Approvals. Schedule 2.5 describes (a) each consent, approval, authorization, registration or filing with any federal, state or local judicial or governmental authority or administrative agency, and (b) each consent, approval, authorization of or notice to any other third party, which is required in connection with the valid execution and delivery by Company of the Company Agreements or the consummation by Company of the transactions contemplated herein or therein (the items described in clauses (a) and (b), collectively, the "Company's Required Consents").

2.6 Financial Statements. Company has previously delivered to Acquiror true and complete copies of (a) the audited balance sheet of Company as of December 31, 1997 and the related statements of operations, shareholders' equity and cash flows for the fiscal year then ended, including the footnotes thereto and the report prepared in connection therewith by the independent certified public accountants reviewing such financial statements; and (b) interim unaudited financial reports prepared for the six month period ended June 30, 1998. Except as disclosed on Schedule 2.6, the documents described in clauses (a) and (b), collectively, the "Financial Statements":

(a) are consistent with the books and records of the Company;

(b) present fairly the assets, liabilities and financial condition of Company in all material respects as of the respective dates thereof, and the results of operations and cash flows for the periods then ended; and

(c) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved except as otherwise noted therein and subject, in the case of the interim unaudited financial reports prepared for the six month period ended June 30,

1998, to normal year-end adjustments (other than reclassifications having no effect on profit or loss) which will not have a net negative effect on profit or loss of $50,000 or more in the aggregate and except that such interim financial statements do not contain the notes required by generally accepted accounting principles.

Company has no material liability or obligation, whether accrued, absolute, or contingent that is not reflected or reserved against in the Financial Statements. Any material items of income or expense which are unusual or of a nonrecurring nature are separately disclosed in the Financial Statements.

Prior to the Closing, the Company will deliver to Parent an audited balance sheet of the Company as of December 31, 1996, and the related statements of

operations, shareholders' equity and cash flows for the fiscal year then ended, including the footnotes thereto and the report prepared in connection therewith by the independent certified public accountants reviewing such financial statements which:

(a) will be consistent with the books and records of the Company;

(b) will present fairly the assets, liabilities and financial condition of Company in all material respects as of the respective dates thereof, and the results of operations and cash flows for the periods then ended; and

(c) will have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved except as otherwise noted therein.

2.7 Books and Records. The books and records of Company relating to the assets are true, accurate and complete in all material respects and have been maintained in accordance with generally accepted accounting principles applied on a consistent basis.

2.8 Title to and Sufficiency of Assets. Company has good and marketable title to all of its assets, free and clear of any liens, encumbrances, claims, security interests, mortgages or pledges of any nature (collectively, "Liens"), other than:

(a) Liens for taxes not yet due and payable; and

(b) Liens described on Schedules 2.8 or 2.24.

Company owns or has the right to use, and following the Effective Time, Newco will own or have the right to use, all of the assets, tangible and intangible, of any nature whatsoever, required to operate the Business in the manner presently operated.

2.9 Real Property Lease. Schedule 2.9 contains a description of all real property leased by Company and used in connection with the Business. A true and correct copy of the Company's lease (the "Real Property Lease") has been delivered to Parent. The Real

Property Lease is, with respect to Company, valid, binding and enforceable in accordance with its terms and is in full force and effect, and there are, to the best of the knowledge of the Chief Executive Officer and Chief Financial Officer of the Company (the "Company's Knowledge"), no offsets or defenses by either landlord or tenant thereunder. There are no existing defaults by Company, and no events or circumstances have occurred and are continuing which, with or without notice or lapse of time or both, would constitute defaults, under the Real Property Lease. Except as set forth in Schedule 2.9, the assignment of the Real Property Lease by Company to Newco will not, with respect to the lease, (i) permit the landlord to accelerate the rent or cause the lease terms to be renegotiated, (ii) constitute a default thereunder or (iii) require the consent of the landlord or any third party, provided that the Company presents to the landlord the financial statements of Parent and the use of the premises by the Acquiror is consistent with the use described in the Real Property Lease, and provided that Parent is as strong or stronger financially than the Company.

2.10 Tangible Personal Property. Except as described on Schedule 2.10, each item of Tangible Personal Property, and each item of tangible personal property leased under the Contracts, is in good operating order, condition and repair, is suitable for immediate use in the ordinary course of business of the Business, is free from material defects, is merchantable and is of a quality and quantity presently usable in the ordinary course of business. No item of Tangible Personal Property is in need of repair or replacement, other than as part of routine maintenance in the ordinary course of business. For purposes hereof, "Tangible Personal Property" shall mean all machinery, equipment, tools,

furniture, office equipment, supplies, materials, vehicles and other items of tangible personal property of every kind owned by Company.

2.11 Product Compliance. The Software, as defined in Section 2.14 (excluding the Third Party Software, as defined in Section 2.14) marketed and licensed by Company will (i) store all date-related information and process all data interfaces involving dates in a manner that unambiguously identifies the century, for all date values before, during and after the Year 2000; (ii) accept, process, store, calculate, sort, report, output and otherwise operate accurately and without ambiguity and in a consistent manner for all date information processed by the software, whether before, during or after the Year 2000; (iii) calculate, sort, report and otherwise operate correctly, in a consistent manner and without interruption regardless of whether the date of operation is before, during or after the Year 2000; (iv) report and display all dates with a four-digit date so that the century is unambiguously identified; and (v) handle all leap years, including but not limited to the Year 2000 leap year, correctly.

2.12 Contracts. Schedule 2.12(a) lists all contracts, commitments, agreements (including agreements for the borrowing of money or the extension of credit), licenses, understandings and obligations, whether written or oral, to which Company is party or by which Company is bound, that are material to the operation of the Business or which involve the Software referred to herein or the future payment of more than $50,000 to or by Company (the "Contracts"). Company has delivered to Parent true and complete copies of all written Contracts and true and complete memoranda of all oral Contracts, including any and all amendments and

other modifications thereto. Each of the Contracts is, with respect to the Company, valid, binding and enforceable in accordance with its terms and is in full force and effect. No Contract will result in a loss upon completion of performance, and no purchase commitments are in excess of the normal requirements of the Business or at excessive prices. Except for any default that is immaterial, there are no existing defaults by the Company or to the Company's Knowledge by parties other than the Company under the Contracts, and no events or circumstances have occurred which, with or without notice or lapse of time or both, would constitute defaults by the Company, or to the Company's Knowledge by parties other than the Company under any of the Contracts. Except as set forth on Schedule 2.12(b), the consumption of the Merger will not, with respect to any Contract, (i) constitute a default thereunder, (ii) require the consent of any person or party, except for the Company's Required Consents, or (iii) affect the continuation, validity and effectiveness thereof or the terms thereof.

2.13 Receivables. All accounts receivable and trade accounts due to Company ("Receivables") reflected on the Company's June 30, 1998 Balance Sheet (less any such receivables collected since the date of such financial statement) and all Receivables presently owing and to be owing at the Closing Date, are, and at the Closing Date will be, legal, valid and binding obligations, and are collectible in full at face value, net of the reserves established and reflected in the Company's June 30, 1998 Balance Sheet (as such reserves are adjusted for the passage of time through the Closing Date in accordance with the past practice of Company). All such Receivables were created in the ordinary course of business. There are, to the Company's Knowledge, no set-offs, counterclaims or disputes asserted with respect to any Receivable, and no discount or allowance from any Receivable has been made or agreed to. The reserves established for doubtful or uncollected accounts as shown on the Company's June 30, 1998 Balance Sheet, as adjusted for the passage of time through the Closing Date in accordance with the past practice of Company, are consistent in amount to those historically established with respect to the accounts receivable of the Company.

2.14 Intellectual Property. Except for the Third-Party Software (defined below), the software identified on Schedule 2.14 (the "Software") was developed

by or for the Company, either by employees of Company within the scope of their employment or by third party contractors who worked for Company and received compensation for all such work for Company related to the Software, or by written agreement agreed that all such work for Company constitutes "work for hire." Except for the Third Party Software, Company is the sole owner of the Software and the employees and/or third-party contractors who worked for Company to develop the Software (other than the Third Party Software) have conveyed to Company all right, title and interest in the Software and to all work products, inventions and discoveries made, created, or developed by such party for or on behalf of the Company other than work products, inventions or discoveries to which Company is not entitled under its agreements with such third parties. No person who worked on the creation or development of the Software (other than the Third Party Software), either as Company's employee or a third party contractor, has any claim of ownership, or right to, the Software (except the Third Party Software). Schedule 2.14 sets forth a list of all trademarks of the Company owned or used by Company, and all United States, foreign and state registrations relating to any of the trademarks

(the "Trademark Registrations"). Company has filed no Copyright registrations with the United States Copyright Office or the office of any foreign jurisdiction for any of the copyrights with respect to the Software. Schedule 2.14 also contains a list of all patent applications filed by the Company related to the Software, together with the applicable patent number, application number, application date and issue date. Company has abandoned all patent applications, and Company has no existing patents or pending patent applications. Except as set forth on Schedule 2.14, Company is the owner of the Trademark Registrations. Company has taken commercially reasonable measures to protect the confidentiality of its trade secrets, through written agreement, restricted access or otherwise, and, to the best of Company's Knowledge, has not experienced any unauthorized disclosure of a trade secret. Schedule 2.14 sets forth (i) all the components of the Software licensed from third parties (the "Third Party Software") and (ii) all the rights in the Software that have been licensed by the Company to others. Company owns all right, title and interest in and to the Software, free and clear of any Liens, licenses or claims of any third party, except, (y) the Third Party Software and (z) rights in the Software that have been licensed to others. Except as set forth on Schedule 2.14 or with respect to licenses in the ordinary course of business, Company has not licensed any of the Software to any third party, and no third party has any right to use any of the Software. The Software, Third Party Software, trade secrets of the Company and trademark rights to the name Elekom, and the stylized globe trademark, consists of all intellectual property rights necessary to conduct the Business as presently conducted. Except as set forth on Schedule 2.14, there are no claims or suits against Company challenging Company's ownership of or right to use any of the Software, nor to Company's Knowledge does there exist any valid basis therefor. Except as set forth on Schedule 2.14, the Software does not infringe upon any patents, copyrights or other intellectual property rights (excluding mask works and trademarks) of third parties or misappropriate any trade secrets of any third party. Except for releases of the Company's software prior to the version of the Company's software currently being licensed, Company warrants that the Software which has been commercially released by Company performs substantially in accordance with the applicable specifications and technical end user documentation and is free of all known material errors. Company further warrants, that in the case of the Third Party Software, any third party software incorporated or used in the Company's Software, that Company has the unrestricted right and license to use such software in the manner currently used by Company in the Business and as used in the Software, to grant a sublicense to use such software in the manner it currently licenses the Software, and to assign such third party licenses to Newco. Upon consummation of the Merger, Newco will have the rights of the Third Party Software previously possessed by Company. Company further warrants that, to the best of Company's Knowledge, after conducting a test with its current commercially available software that tests for viruses, the Software to be acquired by Newco pursuant to the Merger does not contain any software routine, code or instruction, hardware, component or combination thereof (collectively referred to and defined for purposes of this Section as a "Virus"), that is designed to repossess or disable the Software by electronic or other means or otherwise disable, delete, modify, damage or erase software, hardware or data. The term "Virus" is intended

to include, but is not limited to, components that are commonly referred to as "viruses," "back doors," "time bombs," "Trojan Horses," "worms" or "drop dead devices."

2.15 Major Suppliers and Customers. Each supplier of goods or services to whom Company paid more than $100,000, in the aggregate, during the twelve months ended on June 30, 1998, and each customer of the Company who paid Company more than $100,000, in the aggregate, during such period, is listed on Schedule 2.15, which Schedule reflects in each case the amounts so paid. Except as set forth in Schedule 2.15, Company is not currently engaged in any material dispute with any of such suppliers or customers. Company has no reason to believe that the Merger will have any material adverse effect on the business relationship of any such suppliers or customers of the Company.

2.16 Litigation. Except as set forth on Schedule 2.16, there are no claims, actions, suits, arbitration proceedings, inquiries, hearings, injunctions or investigations ("Claims") pending, or to Company's Knowledge threatened, against the Company, its operations or the Business. Except as set forth on Schedule 2.16, no Claims have been brought within the last two years against Company or the Business, or affecting the Company's assets, or relating to Company's ownership, use or operation of the Business or its assets. Except as set forth on Schedule 2.16, there are no facts or circumstances exist which could reasonably serve as the valid basis for any Claim against Company, or, by virtue of the execution, delivery and performance of this Agreement, against Acquiror.

2.17 Compliance with Decrees and Laws. There is not outstanding or, to the best knowledge of Company, threatened, any order, writ, injunction or decree of any court, governmental agency or arbitration tribunal against or involving Company or its assets. Company is currently, and has been at all times, in substantial compliance with all applicable laws, statutes, rules, regulations, orders and licensing requirements ("Rules") of federal, state, local and foreign agencies and authorities (including, without limitation, those relating to antitrust and trade regulation, civil rights, labor and discrimination, safety and health). To Company's Knowledge, there has been no allegation of any violation of any such Rules, and to Company's Knowledge, no investigation or review by any federal, state or local body or agency is pending, threatened or planned with respect to Company.

2.18 Permits. Company has obtained all governmental permits, authorizations, certificates, approvals, licenses, exemptions and classifications ("Permits") required for the conduct of the Business as presently conducted and the ownership and operation of the Company's assets, all of which are described on Schedule 2.18. Company is not in violation of any of the Permits, which violation would have a material adverse effect on the business as presently conducted, and no proceedings are pending or, to the best knowledge of Company, threatened, to revoke or limit any Permit. The consummation of the Merger will not impact the validity or continued effectiveness of the Permits or the operation of the Business thereunder by Acquiror after the Closing.

2.19 Taxes. Company has properly completed, duly and timely filed in correct form with the appropriate United States, state and local governmental agencies and with the appropriate foreign countries and political subdivisions thereof, all tax returns, reports and declarations to estimated tax ("Tax Returns") required to be filed before the Closing Date. All

Tax Returns are accurate, complete and correct as filed, and Company has paid in full or made adequate provision in its financial statements for all amounts shown to be due thereon. All United States, state and local income, profits, franchise, sales, use, occupancy, property, severance, excise, value added, withholding and other taxes, and all taxes owing to any foreign countries and political subdivision thereof (including interest, penalties and any additions to tax) ("Taxes") due from or claimed to be due by each taxing authority in respect of Company, the Business or the Company's assets, for all periods ending on or before the Closing Date have been, or will be, fully paid or adequately provided for in the financial statements of Company. For all such periods, Company has timely made and will timely make all withholdings of Tax required to be made under all applicable United States, state and local tax regulations, and such withholdings have either been paid or will be paid to the respective governmental agencies or set aside in accounts for such purpose or accrued, reserved against and entered upon the books of Company. Estimated income Taxes which are not yet due to be paid to the Internal Revenue Service or any state or local taxing authority have been accrued, reserved against and entered upon the books of Company. All Tax Returns required to be filed after the date hereof and on or before the Closing Date by Company, shall, in each case, be prepared and filed by Company in a manner consistent in all respects (including elections and accounting methods and conventions) with such Tax Return most recently filed by Company in the relevant jurisdiction prior to the date hereof, except as otherwise required by law or regulation or agreed to by Acquiror. There are no outstanding elections, agreements or waivers extending the statutory period of limitation applicable to any Tax Return, or the period for assessment or collection of any Taxes. Company is not a party to any pending action or proceeding, nor to the best knowledge of Company, is there threatened any action or proceeding, by any governmental authority for assessment or collection of Taxes, and Company has not been notified by any governmental authority that an audit or review of any tax matter is contemplated. There are no Tax liens (other than liens for taxes for current and subsequent years which are not yet due and payable) upon any of the Company's assets. Company is not a "foreign person" within the meaning of Section 1445 of the Code, and Acquiror has no obligation under Section 1445 of the Code to withhold taxes from the merger consideration to be paid to the Shareholders of Company. Company has not agreed, nor is it required, to make any adjustment under Section 481(a) of the Code, by reason of a change in accounting method or otherwise. Company has not consented to the application to it of Section 341(f)(2) of the Code.

2.20 Environmental Protection. The existing and prior uses of the Company's assets and operations of the Business comply in all material respects with, and at all times have complied with, and the Company is not in material violation of, and has not materially violated, any applicable federal, state, county or local statutes, laws, regulations, rules, ordinances, codes, licenses or permits of any governmental authorities relating to environmental matters, including by way of illustration and not by way of limitation the Comprehensive Environmental Response, Compensation and Liability Act as amended, the Resource Conservation Recovery Act as amended, the Clean Air Act, the Clean Water Act, the Occupational Safety and Health Act, the Toxic Substances Control Act, any "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order, decree or guideline (whether published or unpublished) regulating, relating to or imposing liability or standards of conduct concerning

any petroleum, petroleum by-product (including but not limited to crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas, hazardous substance or materials, toxic or dangerous waste, substance or material, pollutant or contaminant.

2.21 Insurance. Schedule 2.21 describes all insurance policies maintained by Company. Such policies are valid, binding and enforceable in accordance with their terms, are in full force and effect, and all premiums due thereon have been paid and will be paid through the Closing Date. Such policies provide in Company's reasonable belief adequate coverage for all risks normally insured against by entities similarly situated to Company. Company has not been refused any insurance by any insurance carrier during the past two years.

2.22 Labor and Employment Matters. With respect to employment matters:

(a) No employees of Company are or have been represented by a union or other labor organization or covered by any collective bargaining agreement, and to the best knowledge of Company, no union is attempting to organize any such employees.

(b) There is no labor strike, dispute, slowdown, stoppage or similar labor difficulty pending or, to the best knowledge of Company, threatened against or affecting Company.

(c) Company is in substantial compliance with all federal, state and local laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, and there is no unfair labor practice complaint against Company pending or, to the best knowledge of Company, threatened.

2.23 Employees; Compensation; Benefit Plans.

(a) Compensation. Company has previously given to Acquiror a complete and correct list of the name, position, rate of compensation and any incentive compensation arrangement, bonuses or commissions or fringe or other benefits, whether payable in cash or in kind, of each current employee, director, independent contractor, consultant and agent of Company and each other person to whom Company pays or provides, or has an obligation, agreement (written or unwritten), policy or practice of paying or providing, retirement, health, welfare or other benefits of any kind or description whatsoever.

(b) Employee Benefit Plans.

(i) Schedule 2.23(a) contains an accurate and complete list of all Plans, as defined below, currently contributed to, maintained or sponsored by Company, to which Company is obligated to contribute, or with respect to which

Company has any material liability or potential material liability, whether direct or indirect. For purposes of this Agreement, the term "Plans" shall mean: (A) employee benefit plans as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not funded (B) employment agreements, and (C) personnel policies or fringe benefit plans, policies, programs and arrangements, whether or not subject to ERISA, and whether or not funded, including without limitation, stock bonus, deferred compensation, pension, severance, bonus, vacation, travel, incentive, and health, disability and welfare plans.

(ii) Except as disclosed in Schedule 2.23(b), Company does not contribute to, or have any obligation to contribute to (A) any multiemployer plan (as such term is defined in Section 3(37) of ERISA), (B) any Plan of the type described in Sections 4063 and 4064 of ERISA or in Section 413(c) of the Code (and regulations promulgated thereunder), or (C) any Plan which provides health, life insurance, accident or other welfare benefits (within the meaning of Section 3(1) of ERISA) to current or future retirees or current former employees, their spouses or dependents, other than as required by, or in accordance with applicable law, including, but, not limited to, Section 4980B of the Code, Part 6 of Subtitle B of Title I of ERISA and applicable state continuation coverage law.

(iii) Except as disclosed in Schedule 2.23(c), none of the Plans obligates Company to pay separation, severance, termination or similar-type benefits solely as a result of any transaction contemplated by this Agreement or solely as a result of a "change in control," as such term is used in Section 280G of the Code (and regulations promulgated thereunder).

(iv) Each Plan and all related trusts, insurance contracts, and funds have been maintained, funded and administered in compliance in all material respects with all applicable laws and regulations, including but not limited to ERISA and the Code. No Plan that is subject to the funding requirements of Section 412 of the Code or Section 302 of ERISA has incurred any "accumulated funding deficiency" as such term is defined in such Sections of ERISA, and the Code, whether or not waived and all required contributions have been made. With respect to each other Plan, all required payments, premiums, contributions, reimbursements or accruals for all periods ending prior to or as of the Closing Date shall have been made. No liability to the Pension Benefit Guaranty Corporation ("PBGC") (except for routine payment of premiums) has been or is expected to be incurred with respect to any Plan that is subject to Title IV of ERISA, no reportable event (as such term is defined in Section 4043 of ERISA) has occurred with respect to any such Plan (other than reportable events for which the 30-day notice requirement of Section 4043 of ERISA has been waived by statute, regulation or otherwise), and, to Company's Knowledge, the PBGC has not commenced or threatened the termination of any Plan. None of the

assets of the Company is the subject of any lien arising under Section 302(f) of ERISA or Section 412(n) of the Code, Company has not been required to post any security pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code, and neither Company nor any officer or director of Company has knowledge of any facts which could be reasonably expected to give rise to such lien or such posting of security.

(v) With respect to each Plan, Company has provided Acquiror with true, complete and correct copies, to the extent applicable, of (A) all current documents pursuant to which the Plans are maintained, funded and administered, (B) the two most recent annual reports (Form 5500 series) filed with the Internal Revenue Service (with attachments), (C) the two most recent actuarial reports, (D) the two most recent financial statements, and (E) the most recent determination letter issued by the Internal Revenue Service with respect to such Plan.

2.24 Absence of Certain Changes. Except as described in Schedule 2.24, since June 30, 1998, Company has conducted the operation and business of the Business only in the ordinary course, and has not:

(a) Suffered any damage, destruction or loss to any asset of the Company, whether or not covered by insurance in an aggregate amount of $10,000 or more;

(b) Other than the ordinary course of business, sold, transferred, distributed or otherwise disposed of any assets;

(c) Except as provided in Schedules 2.8 and 2.24, incurred any obligation or liability (whether absolute, accrued, contingent or otherwise and whether due or to become due) in an aggregate amount of $50,000 or more except normal trade or business obligations incurred in the ordinary course of business;

(d) Suffered any material adverse change in the condition (financial or otherwise), results of operations or business of the Company, or any other event or condition of any character that might reasonably be expected to have a material adverse effect on the Company or its Business;

(e) Agreed, whether in writing or otherwise, to take any action described in this Section.

2.25 Product Warranties. Each product manufactured, licensed or sold by Company has been in substantial conformity with all applicable contractual commitments and express warranties, all of which are described on Schedule 2.25, as well as with all warranties implied by law.

2.26 Related Party Transactions. Except as set forth on Schedule 2.26, the Real Property Lease, personal property leases, and Contracts do not include any agreement with, or any other commitment to (a) any officer, director or shareholder of Company; (b) any person related by blood or marriage to any such officer, director or shareholder; or (c) any corporation, partnership, trust or other entity in which Company or any such officer, director, shareholder or related person has an equity or participating interest.

2.27 Brokers. No finder, broker, agent or other intermediary has acted for or on behalf of Company in connection with the negotiation or consummation of this Agreement, and there are no claims for any brokerage commission, finder's fee or similar payment due from Company.

2.28 Names. During the term of its existence, Company has not been known by or conducted business under any other name. All assets and rights relating to the Business are held by, and all agreements, obligations, expenses and transactions relating to the Business have been entered into, incurred and conducted by Company.

2.29 Disclosure. No representation, warranty or statement made by Company in this Agreement or in the Company Agreements, or contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PARENT AND NEWCO

Parent and Newco represent and warrant to Company and the Preferred Shareholders as follows:

3.1 Capital Stock.

All Parent Common Stock to be issued to the Shareholders at Closing will be duly and validly issued and outstanding and fully paid and nonassessable. None of the outstanding shares of Parent Common Stock issued to the Shareholders at closing will be issued in violation of any preemptive rights of the current or past shareholders of the Parent.

3.2 Organization and Good Standing; Governing Documents. Parent and Newco are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware. Parent and Newco have all requisite power and authority to own, operate its assets and to conduct its operations as presently conducted. Parent and Newco are duly qualified to do business as a foreign corporation in all other jurisdictions in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, and such jurisdictions are listed on Schedule 3.2. Newco has previously delivered to the Company true and complete copies of its Bylaws and Articles of Incorporation, including all amendments thereto.

3.3 Authority. Parent and Newco have all requisite power and authority to execute, deliver and perform this Agreement, the Certificate of Merger, the Escrow and Indemnity Agreement and the Escrow and Minority Investment Agreement (collectively the "Acquiror Agreements") and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of the Acquiror Agreements, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of Parent and Newco. The Acquiror Agreements have been, or, with respect to Acquiror Agreements to be executed at the Closing, will be duly executed and delivered by Parent and Newco and each

constitutes, or will constitute when executed and delivered, a valid and binding obligation of Parent and Newco, enforceable against Parent and Newco in accordance with its terms, except as may be limited by bankruptcy, judicial discretion, public policy or other equitable principles.

3.4 No Conflict or Breach. The execution, delivery and performance of the Acquiror Agreements do not and will not (a) conflict with or constitute a violation of the Articles of Incorporation or Bylaws of Parent or Newco; (b) conflict with or constitute a violation of any law, statute, judgment, order, decree or regulation of any legislative body, court, administrative agency, governmental authority or arbitrator applicable to or relating to Parent or Newco; (c) conflict with, constitute a default under, result in a material breach or acceleration of or, except as set forth on Schedule 3.5, require notice to or the consent of any third party or result in any rights of a third party under any contract, agreement, commitment, mortgage, note, license or other instrument or obligation to which Parent is party or by which it is bound or by which its assets are affected; or (d) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on or give any third party any rights in any of Parent's assets.

3.5 Consents and Approvals. Schedule 3.5 describes (a) each consent, approval, authorization, registration or filing with any federal, state or local judicial or governmental authority or administrative agency, and (b) each consent, approval, authorization of or notice to any other third party, which is required in connection with the valid execution and delivery by Parent and Newco of the Acquiror Agreements or the consummation by Parent and Newco of the transactions contemplated herein or therein (the items described in clauses (a) and (b), collectively, the "Acquiror's Required Consents").

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

3.7 Litigation. Except as set forth on Schedule 3.7, there are no claims, actions, suits, arbitration proceedings, inquiries, hearings, injunctions or investigations

("Claims") pending, or to Acquiror's Knowledge, threatened against Acquiror, its operations or its business. Except as set forth on Schedule 3.7, no Claims have been brought within the last two years against Acquiror, or affecting the Acquiror's assets, or relating to Acquiror's business or ownership, use or operation of its assets. To the knowledge of Acquiror ("Acquiror's Knowledge"), there are no facts or circumstances exist which could reasonably serve as the valid basis for any Claim against Acquiror, or, by virtue of the execution, delivery and performance of this Agreement, against the Company.

3.8 Compliance with Decrees and Laws. There is not outstanding or, to the best knowledge of Acquiror, threatened, any order, writ, injunction or decree of any court, governmental agency or arbitration tribunal against or involving Acquiror or its assets. Acquiror is currently, and has been at all times, in substantial compliance with all applicable laws, statutes, rules, regulations, orders and licensing requirements ("Rules") of federal, state, local and foreign agencies and authorities (including, without limitation, those relating to antitrust and trade regulation, civil rights, labor and discrimination, safety and health). To Acquiror's Knowledge, there has been no

allegation of any violation of any such Rules, and to Acquiror's Knowledge, no investigation or review by any federal, state or local body or agency is pending, threatened or planned with respect to Acquiror under which Acquiror believes it will have any material liability.

3.9 Absence of Certain Changes. Except as described in Schedule 3.9, since June 30, 1998, Acquiror has conducted the operation of its business only in the ordinary course, and has not:

(a) Suffered any material damage, destruction or loss to any asset of the Acquiror, whether or not covered by insurance in an aggregate amount of $100,000 or more;

(b) Other than the ordinary course of business, sold, transferred, distributed or otherwise disposed of any assets;

(c) Incurred any obligation or liability (whether absolute, accrued, contingent or otherwise and whether due or to become due) in an aggregate amount of $250,000 or more except normal trade or business obligations incurred in the ordinary course of business;

(d) Suffered any material adverse change in the condition (financial or otherwise), results of operations or business of the Acquiror, or any other event or condition of any character that might reasonably be expected to have a material adverse effect on the Acquiror or its business;

(e) Agreed, whether in writing or otherwise, to take any action described in this Section.

3.10 Brokers. Other than the investment banker retained by Acquiror to review the transactions contemplated hereby with respect to the financial fairness of the merger consideration paid by the Acquiror to the Shareholders, Acquiror has retained no finder, broker, agent or other intermediary to act for or on behalf of Acquiror in connection with the negotiation or consummation of this Agreement, and no party has made any claims for any brokerage commission, finder's fee or similar payment due from Acquiror.

3.11 Reports. Acquiror has timely filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file with (a) the Securities and Exchange Commission ("SEC"), including, but not limited to, registration statements on Form S-1, and reports on Form 10-Q and Form 8-K, and (b) any applicable state securities (except, in the case of state securities authorities, failures to file which are not reasonably likely to have, individually or in the aggregate, a material adverse effect). As of their respective dates, each of such reports and documents, including the financial statements, exhibits, and schedules thereto, complied in all material respects with all applicable laws. As of its respective date, each such report and document did not, in any material respects, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.12 Names. Other than the change of the Parent's name from SQL Financials International, Inc. to Clarus Corporation, during the term of its existence, Acquiror has not been known by or conducted business under any other name. All assets and rights relating to its business are held by, and all agreements, obligations, expenses and transactions relating to its business have been entered into, incurred and conducted by Acquiror.

3.13 Disclosure. No representation, warranty or statement made by Acquiror in this Agreement or in the Acquiror Agreements contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

3.14 Fairness Opinion. Acquiror has received a written opinion from NationsBanc Montgomery Securities, LLC that the consideration to be paid by Parent to the Shareholders in connection with the Merger is fair to Parent, from a financial point of view.

ARTICLE IV
COVENANTS OF COMPANY AND ACQUIROR

A. COVENANTS OF COMPANY

Company covenants and agrees with Acquiror as follows:

4.1 Conduct of Business. Except as otherwise provided in this Agreement, between the date of this Agreement and the Closing Date, Company shall:

(a) Conduct the Company's operations in the normal and customary manner in the ordinary course of business and pay (without incurring any late fees or interest charges) its trade payables and other obligations in accordance with the Company's payment practices;

(b) Maintain and preserve the confidentiality of its intellectual property;

(c) Keep in full force and effect the insurance described in Section 2.21;

(d) Perform all of its obligations under all Contracts, the Real Property Lease, and personal property leases, and not amend, alter, modify or terminate any provision thereof;

(e) Use its reasonable efforts to preserve Company's organization intact and maintain its relationships with its employees, suppliers and customers;

(f) Promptly advise Acquiror of any adverse change in the condition (financial or otherwise) of the Business or Company;

(g) Promptly advise Acquiror of the occurrence of any event or circumstance which affects the consummation of the transactions contemplated by this Agreement or which, if in existence on the date of this Agreement, would have been required to have been disclosed in a Schedule to this Agreement;

(h) Maintain and collect the Receivables and extend credit terms to its customers in the ordinary course of business consistent with past practices;

(i) Furnish Acquiror with a listing of the Tangible Personal Property of Company; and

(j) Prior to Closing, Company shall convert the Elekom 401(k) Plan from a "standardized" prototype plan to a "non-standardized" prototype plan, with terms that are substantially similar to those of the "standardized" prototype plan (as adopted by Company).

4.2 Negative Covenants. Between the date of this Agreement and the Closing Date, except as otherwise provided in this Agreement Company shall not:

(a) Except as set forth on Schedules 2.24, create or permit to exist any Lien of any kind or nature, except for the Liens described on Schedule 2.8;

(b) Sell or dispose of any assets or license any assets other than in the ordinary course of business;

(c) Enter into or amend any employment or severance agreement or grant any increase in compensation or benefits to any employees of Company (including such discretionary increases as may be contemplated by existing employment agreements), except in accordance with past practice or previously approved by and reflected in the written minutes of the Board of Directors of Company;

(d) Make any capital improvement or expenditure individually in excess of $10,000 or in the aggregate in excess of $50,000 without the written consent of Acquiror;

(e) Except as set forth on Schedule 2.8 and 2.24, incur any additional debt obligation or other obligation for borrowed money;

(f) Except pursuant to the exercise of stock options outstanding as of the date hereof as disclosed on Schedule 2.1(b) hereto and pursuant to the
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terms thereof in existence on the date hereof, issue, sell, pledge, encumber, authorize the issuance of or enter into any contract to issue, sell, pledge, encumber, or authorize the issuance of or otherwise permit to become outstanding, any additional shares of capital stock, or any stock appreciation rights, or any option, warrant, conversion, or other right to acquire any such stock, or any security convertible into any such stock;

(g) Amend the Articles of Incorporation, Bylaws or other governing instruments of Company;

(h) Repurchase, redeem, or otherwise acquire or exchange, directly or indirectly, any shares, or any securities convertible into any shares, of the capital stock of Company, or declare or pay any dividend or make any other distribution in respect of Company, with the exception of the repurchase of shares pursuant to exercised but unvested options and the acceleration or termination of options under the Company's Amended and Restated 1996 Stock Option Plan;

(i) Purchase any securities or make any material investment, either by purchase of stock or securities, of any person;

(j) Adopt any new employee benefit plan of Company or make any material change in or to any existing employee benefit plans of Company other than any such change that is required by law or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan, provided that the Company shall have amended its 401(k) plan to a nonstandardized prototype plan prior to Closing;

(k) Make any significant change in any tax or accounting methods or systems of internal accounting controls, except as may be appropriate to conform to changes in tax laws or regulatory accounting requirements or GAAP; or

(l) Commence any litigation, settle any litigation involving any liability of Company for money damages, with the exception of Company's litigation with Casahl, subject to Section 9.6, or which imposes material restrictions upon the operations of Company.

4.3 Access and Information. Company shall permit Acquiror and its
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counsel, accountants and other representatives full access during normal business hours to all the properties, assets, books, records, agreements and other documents of Company. Company shall furnish to Acquiror and its representatives all information concerning the Company or the Business as Acquiror may reasonably request. Company shall permit and facilitate communications between Acquiror and Company's suppliers, customers, landlords and other persons having relationships with the Company.

4.4 Standstill. In the event of termination of this Agreement, for
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any reason, prior to the Closing Date, then until the expiration of eighteen (18) months from the date of such termination, none of Company, its affiliates

(as defined in Rule 405 of the Securities Act of 1977, hereinafter "Affiliates")

or those of Company's representatives to whom confidential information has been disclosed or who have been made aware of the discussions between the parties concerning a possible transaction, with the exception of companies in which less than 50 percent is owned by one of the Preferred Shareholders, shall, without the prior written consent of the Board of Directors of Acquiror, (i) in any manner acquire, agree to acquire, or make any proposal to acquire, directly or indirectly, a material portion of the assets of Acquiror; (ii) propose to enter into, directly or indirectly, any merger or business combination involving Acquiror; (iii) make, or in any way participate, directly or indirectly, in any solicitation of "proxies" (as such term is used in Regulation 14A under the Securities Exchange Act of 1934, as amended) to vote or seek to advise or influence any person with respect to the voting of any voting securities of Acquiror; (iv) form, join or in any way participate in a "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934) with respect to any voting securities of Acquiror; (v) otherwise act, alone or in concert with others, to seek to control of influence the management, Board of Directors or polices of Acquiror; or (vi) publicly disclose any intention, plan or arrangement inconsistent with the foregoing.

4.5 Shareholder Approval. As soon as practicable but in all events within one (1) business day following the filing of the 424(b) prospectus by Acquiror relating to the Merger, Company will take all steps necessary to duly call a shareholders meeting and mail a notice of shareholders meeting and joint shareholder proxy and consent for the purpose of adopting and approving this Agreement and the Merger and for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby, and hold such shareholders meeting unless unanimous

written consent to such transactions is obtained before the scheduled date of such meeting. Company will use its best efforts to obtain unanimous written consent in lieu of the meeting of shareholders as soon as practicable after notice of the shareholders meeting is given. The Board of Directors of Company will unanimously recommend that the shareholders of Company vote in favor of such transactions.

B. COVENANTS OF ACQUIROR

4.6 Royalty Prepayments. Parent agrees to prepay royalties next accruing pursuant to that certain OEM License Agreement dated April 14, 1998 between Parent and Company (the "OEM Agreement"), to Company to provide working capital to fund the Company's operations, to the extent needed, in an amount up to $250,000 for each two-week period beginning on October 1, 1998 through the Closing Date (or the date on which this Agreement is earlier terminated). Company understands that Parent's agreement to provide such prepayments is made in reliance upon Company's representations and undertakings to use its best efforts and cause its Representatives to use their best efforts to work toward a filing of the Registration Statement no later than September 4, 1998.

4.7 Registration Rights. Parent will enter into and deliver to Company at Closing a Registration Rights Agreement granting piggyback registration rights to Mr. Norman Behar and the Preferred Shareholders, substantially in the form attached as Exhibit 4.7 hereto.

4.8 Nasdaq Listing. Parent shall use its reasonable effort to list, prior to the Effective Time, on the Nasdaq National Market the shares of Parent Common Stock to be issued to the shareholders of Company pursuant to the Merger.

4.9 Board Observation Rights. Acquiror agrees that Mr. Norman Behar shall have the right to receive notice of and to attend each meeting of the Parent's Board of Directors, and the Acquiror shall reimburse Mr. Behar's reasonable expenses incurred in attending such meetings (the "Board Observation Rights"). Subject to the exercise of its fiduciary duties, Parent agrees (i) to nominate and recommend election of Mr. Behar to its Board of Directors at its

next annual shareholders meeting, to serve in Class II of the Parent's Board of Directors (which term expires in the year 2000), prior to its next annual shareholders meeting after the Effective Date. The rights granted to Mr. Behar hereunder shall expire on June 30, 2000. In the event that Mr. Behar is elected to the Parent's Board of Directors, then if his board term expires before June 30, 2000, he will maintain the Board Observation Rights until June 30, 2000. The Acquiror will provide coverage for Mr. Behar under Acquiror's Director and Officer issuance policy identical to that provided to the other directors and officers of Acquiror.

4.10 Tax Matters. Newco and Parent intend to continue the Business of the Company or use a significant portion of the business assets of the Company in a manner that satisfies the continuity of business enterprise requirement set forth in Treasury Regulation 1.368-2(d) and shall take no other action inconsistent with treatment of the Merger as a reorganization under Section 368(a)(1)(A) and 368(a)(2)(D) of the Code.

4.11 Real Property Lease. Acquiror will use the premises described in the Real Property Lease in a manner consistent with the use of the premises permitted under the Real

Property Lease and will guaranty the obligations of the Company or Newco as successor to the Company as tenant under the Real Property Lease if required by the landlord.

4.12 Welfare Benefit Plans. (a) Acquiror shall terminate the group medical, dental, vision, life insurance, supplemental life insurance, short-term disability, long-term disability, accidental death and dismemberment, Section 125 plans and any other employee benefit plan, policy, program, arrangement or payroll practice sponsored by Company (the "Company Group Plans") effective as of the close of business of the Company Group Plans on December 31, 1998. Effective as of January 1, 1999, Continuing Employees (as defined in Section 4.12(e)) and their eligible dependents shall become eligible to participate in the group medical, dental, life insurance, supplemental life insurance, short-term disability, long-term disability, accidental death and dismemberment, Section 125 plans and any other employee benefit, policy, program, arrangement or payroll practice sponsored by Acquiror or its subsidiaries (the "Acquiror Group Plans"). Acquiror and its subsidiaries shall waive (or cause to be waived), with respect to Continuing Employees and their eligible dependents, any pre-existing condition limitations and eligibility waiting periods under the Acquiror Group Plans.

(b) Special Provision Relating to Acquiror's Group Health Plan. The amount of the annual premium for which a Continuing Employee is responsible for paying (the "Annual Employee Premium") for coverage of such Continuing Employee and his eligible dependents under the Acquiror Medical Plan (as defined below) shall be determined by Acquiror and the insurer or insurers under the Acquiror Medical Plan. To the extent that the Annual Employee Premium in effect on January 1, 1999 charged to a Continuing Employee for coverage of such Continuing Employee and his dependents under the Acquiror Medical Plan shall exceed the amount of the Annual Employee Premium in effect on December 31, 1998 charged to a Continuing Employee for coverage of such Continuing Employee and his dependents under the Company Medical Plan (as defined below), Acquiror shall increase the annual salary of such Continuing Employee, effective as of January 1, 1999, in an amount equal to the difference in the Annual Employee Premium. For example, if the Annual Employee Premium in effect on December 31, 1998 charged to a Continuing Employee for employee and dependent coverage under the Company Medical Plan is $1,700, and the Annual Employee Premium in effect on January 1, 1999 charged to such Continuing Employee for employee and dependent coverage under the Acquiror Medical Plan is $4,300, Acquiror shall increase the annual salary of such Continuing Employee by $2,600, effective as of January 1, 1999. For purposes of this Section 4.12(b), "Acquiror Medical Plan" shall mean the group medical plan sponsored by Acquiror in effect on January 1, 1999, and "Company Medical Plan" shall mean the group medical plan sponsored by Company in effect as of the date of this Agreement.

(c) Vision Benefits. As of the Effective Time, Acquiror does not

provide vision care benefits to its employees. Acquiror does not intend to provide vision care benefits to Continuing Employees.

(d) 401(k) Plan. Acquiror shall merge Company's 401(k) plan into Acquiror's 401(k) plan, effective as of the close of business of the plans on December 31, 1998.

The account of each Continuing Employee in Company's 401(k) plan who is a participant in such plan shall become fully vested as of the Effective Time. Each Continuing Employee who was a participant in Company's 401(k) plan on December 31, 1998 shall be eligible to participate in Acquiror's 401(k) plan as of January 1, 1999. For purposes of vesting, each Continuing Employee's service with Company and its subsidiaries and affiliates prior to the Effective Time shall be treated as service with Acquiror and its subsidiaries.

(e) Continuing Employees. For purposes of this Section 4.12, "Continuing Employee" means any individual who is employed by Company or any of its subsidiaries immediately prior to the Effective Time and who becomes employed by Acquiror or any of its subsidiaries as of the Effective Time or as the result of the transactions contemplated herein. Any new employee hired by Newco on or after the Effective Time but prior to January 1, 1999 shall be eligible to participate in the Acquiror Group Plans and the Acquiror's 401(k) plan, in accordance with the terms of such plans and shall not be eligible to participate in the Company Group Plans or the Company's 401(k) plan.

4.13 Employment Agreements. Acquiror will use commercially reasonable best efforts to negotiate and enter into, before Closing, the Employment Agreements set forth in Section 6.9.

ARTICLE V
MUTUAL COVENANTS

Each of Acquiror and Company covenants and agrees with the other as follows:

5.1 Best Efforts. Each of Acquiror and Company shall use its best efforts to make or obtain all consents, approvals, authorizations, registrations and filings with all federal, state or local judicial or governmental authorities or administrative agencies as are required in connection with the consummation of the transactions contemplated by the Acquiror Agreements and the Company Agreements.

5.2 Confidentiality. In recognition of the confidential nature of certain of the information which will be provided to each party by the other, each of Acquiror and Company agrees to retain in confidence, and to require its directors, officers, employees, consultants, professional representatives and agents (collectively, its "Representatives") to retain in confidence all confidential information transmitted or disclosed to it by the other, and further agrees that it will not use for its own benefit and will not use or disclose to any third party, or permit the use or disclosure to any third party of, any confidential information obtained from or revealed by the other, except that each of Acquiror and Company may disclose the information to those of its Representatives who need the information for the proper performance of their assigned duties with respect to the consummation of the transactions contemplated hereby. In making such information available to its Representatives, each of Acquiror and Company shall take any and all precautions necessary to ensure that its Representatives use the information only as permitted hereby. Notwithstanding anything to the contrary in the foregoing provisions, such information may be disclosed (a) where it is necessary to any regulatory authorities or

governmental agencies, (b) if it is required by court order or decree or

applicable law, (c) if it is ascertainable or obtained from public or published information, (d) if it is received from a third party not known to the recipient to be under an obligation to keep such information confidential, or (e) if the recipient can demonstrate that such information was in its possession prior to disclosure of any such information by operation of law, such disclosing party shall give the other party prior notice of the making of such disclosure and shall use all reasonable efforts to afford such other party an opportunity to contest the making of such disclosure. In the event that the Closing shall not occur, each of Acquiror and Company shall immediately deliver, or cause to be delivered, to the other (without retaining any copies thereof) any and all documents, statements or other written information obtained from the other that contain confidential information.

5.3 Registration Statement. Parent shall prepare at its expense and file as promptly as practicable hereafter with the SEC a Registration Statement on Form S-4 (the "Registration Statement") to register the shares of Parent Common Stock issuable to Shareholders hereunder. Parent shall use all reasonable efforts, consistent with the financial information (including pro-forma financial statements) presented in the S-4 Registration Statement as originally filed, to have the Registration Statement declared effective by the SEC as promptly as practicable; provided, however, that the condition set forth in Section 6.5 remains and the minority investment set forth in Section 10.3 would result in the event the condition in Section 6.5 is not met. Company shall furnish all information concerning Company and the holders of Company's common stock as may be reasonably requested in connection with the preparation of the Registration Statement and issuance of the Parent Common Stock as set forth in this Agreement, all of which Company represents will be true and complete in all material respects and will not omit any material fact necessary to make the statements therein not misleading. Acquiror and Company will work together to cause the Registration Statement to be filed with the SEC no later than September 4, 1998.

5.4 Approval of Shareholders/Voting Agreements. Company shall cause a meeting of its shareholders to be duly called, and mail a notice of shareholders meeting and joint shareholder proxy and consent within one business day following the filing of the 424(b) prospectus by Acquiror relating to the Merger, for the purpose of approving this Agreement and all actions contemplated hereby which require the approval of Company's shareholders, and hold such shareholders meeting unless unanimous written consent to such actions is obtained before the scheduled date of such meeting. Company will use its best efforts to obtain unanimous written consent in lieu of the meeting of shareholders as soon as practicable after notice of the shareholders meeting. Company will, through its Board of Directors, unanimously recommend to Company's shareholders, and use its best efforts to obtain approval by the shareholders of Company of the transactions contemplated by this Agreement. Simultaneously with the execution of this Agreement, Company has delivered to Acquiror Voting Agreements duly executed by the holders of forty-nine percent (49%) of the Company's common stock, one-hundred percent (100%) of the Company's Series A Preferred Shares and sixty-seven percent (67%) of the Company's Series B Preferred Shares, outstanding on the date hereof.

5.5 Agreement as to Efforts to Consummate. Subject to the terms and conditions of this Agreement, each party agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, as promptly as practicable so as to permit consummation of the transactions contemplated hereby at the earliest possible date and to otherwise enable consummation of the transactions contemplated hereby and shall cooperate fully with the other party hereto to that end. Each party shall use its reasonable efforts to obtain all Required Consents necessary or desirable for the consummation of the transactions contemplated by this Agreement.

5.6 Third-Party Proposals.

5.6.1 Company. (a) In order to induce Acquiror to commit the

resources and to incur the legal, accounting, investment banking, appraisal, filing and other fees and expenses related thereto to the extent actually incurred and paid ("Transaction Costs") necessary to properly estimate and negotiate the terms of the transaction and to consummate the transaction, except with respect to this Agreement and the transactions contemplated hereby, neither Company nor any Affiliate or Representative of Company shall directly or indirectly solicit any Acquisition Proposal (as defined below) by any person or entity ("Third Party"). For purposes hereof, an "Acquisition Proposal" shall mean any tender offer or exchange offer or any proposal for a merger, acquisition or control of the stock or all or substantially all of the assets of, or other business combination involving Company or the acquisition of a substantial equity interest in, or a substantial portion of the assets of Company; provided, however, that nothing contained in this Agreement shall prevent the Board of Directors of the Company from referring any Third Party to this Section 5.6.1 or from making a copy of this Section 5 available to any Third Party. Nothing contained in this Section 5.6.1 shall prevent the Board of Directors of the Company from considering, negotiating, approving and recommending to the shareholders of the Company (after complying with subparagraphs (b) and (c) below, consulting with its financial advisors, and determining after consulting with counsel that the Board of Directors is required to do so in order to discharge properly its fiduciary duties) a Superior Proposal. A "Superior Proposal" shall mean an unsolicited bona fide written Acquisition Proposal made by a Third Party which provides aggregate consideration to the Shareholders of at least $5 million more than the value of the consideration to be paid by Acquiror hereunder and is on terms that a majority of the members of the Company's Board of Directors determines in their good faith reasonable judgment (based on the advice of an independent financial advisor) would be more favorable to the Company's shareholders than the transactions contemplated by this Agreement and for which any required financing is committed or which, in the good faith reasonable judgment of a majority of such members (after consultation with an independent financial advisor), is reasonably capable of being financed by such Third Party.

(b) The Company shall promptly (but in no case later than 24 hours) notify Acquiror after receipt of any Acquisition Proposal or any request for nonpublic information relating to the Company in connection with an Acquisition Proposal or for access to the properties, books or records of the Company by any Person that informs the Board of Directors of the Company that it is considering making, or has made, an Acquisition Proposal. Such notice to Acquiror shall be made orally and in writing and shall indicate in reasonable detail the identity of the offeror and the terms and conditions of such proposal, inquiry or contact.

(c) If the Board of Directors of the Company receives a request for material nonpublic information by a party who makes a bona fide Acquisition Proposal and the Board of Directors of the Company determines that such proposal is a Superior Proposal then, and only in such case, the Company may, subject to the execution of a confidentiality agreement substantially similar to that then in effect between the Company and Acquiror, provide such party with access to information regarding the Company. The Company will promptly (but in no case later than 24 hours) notify Acquiror of any determination by the Company's Board of Directors that a "Superior Proposal" has been made.

(d) The Company shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties (other than Acquiror) conducted heretofore with respect to any of the foregoing. The Company agrees not to release any Third Party from any confidentiality or standstill agreement to which the Company is a party.

(e) The Company shall ensure that the officers, directors and employees of the Company, and any investment banker or other advisor or representative retained by the Company, are aware of the restrictions described in this Section 5.6.1.

(f) In the event that Company's Board of Directors recommends a Superior Proposal to the Company's Shareholders, then Acquiror has the

right immediately to terminate this Agreement without any liability whatsoever hereunder, including without limitation, Section 10.3 hereof, and to receive the termination fee provided in Section 10.4. If Company's shareholders approve the Superior Proposal, then Company may terminate this Agreement, provided that Company shall pay to Acquiror a "Break-up Fee," as Acquiror's exclusive remedy in the amount of (i) $5.0 million dollars, plus (ii) the amount of Acquiror's Transaction Cost paid by Acquiror, less the amount of the termination fee provided in Section 10.4. Such Break-up Fee shall be paid to Acquiror immediately upon the execution of a definitive agreement between the Third Party or any other party at any time within nine months after the date of termination of this Agreement by Company for any reason other than Section 10.1(f), (g) or (h) or failure of the conditions set forth in Article 6 and Sections 7.5 and 7.6. The

parties acknowledge that the amount of the Break-Up Fee is reasonable and is intended to compensate the Acquiror's losses, including, without limitation, loss of opportunity in the event the Merger is not effected.

5.6.2 Acquiror. Except with respect to this Agreement and transactions contemplated hereby, neither Acquiror nor any Affiliate or Representative of Acquiror shall directly or indirectly solicit a Purchase Proposal (as defined below) by any person. Neither Acquiror nor any Affiliate or Representative of Acquiror shall negotiate with respect to, or enter into any contract with respect to, any Purchase Proposal. Acquiror shall promptly notify Company orally and in writing in the event that it receives any inquiry or proposal relating to any such transaction. Unless the prior written consent of Company is obtained, Acquiror shall (i) immediately cease and cause to be terminated any existing activities, discussions or negotiations with any persons conducted heretofore with respect to any of the foregoing, and (b) direct and cause all of its Representatives not to engage in any of the foregoing. For purposes hereof, a "Purchase Proposal" shall mean any (a) tender offer or exchange offer made by Acquiror or any proposal for a merger, acquisition or control of the stock or all or substantially all of the assets of, or other business combination involving the acquisition by Acquiror of a substantial equity interest in, or a substantial portion of the assets of a third party which is engaged in the development, marketing, licensing or sale of electronic procurement software or (b) tender offer or exchange offer made for Acquiror by a third party or any proposal for a merger, acquisition or control of the stock or all or substantially all of the assets of, or other business combination involving the acquisition of Acquiror by a third party or of a substantial equity interest in, or a substantial portion of the assets of Acquiror by a third party.

ARTICLE VI.
CONDITIONS PRECEDENT TO ACQUIROR'S OBLIGATIONS

The obligations of Acquiror to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions on or before the Closing Date, unless specifically waived in writing by Acquiror prior to the Closing Date:

6.1 Representations and Warranties. The representations and warranties of Company contained in this Agreement or otherwise required hereby to be made after the date of this Agreement in a writing expressly referred to herein by or on behalf of the Company pursuant to this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date. The Company shall have delivered a revised Schedule of Exceptions dated three days prior to the Closing Date, reflecting any changes occurring after the date of this Agreement that would be required in order to make the representations and warranties of the Company contained in this Agreement true and correct, on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except (a) for changes contemplated by this Agreement and

(b) that the accuracy of representations and warranties which address matters only as of a particular date will be determined as of such date. Acquiror shall

have the right to review and approve the Company's revised Schedule of Exceptions which must be acceptable to Acquiror in its sole discretion; provided that the inclusion or addition of (i) any immaterial adverse item or (ii) any item which has a positive effect on the Company could not be the basis of Acquiror's failure to approve or accept such revised schedules, or to close based on the condition contained in this Section 6.1. The Company shall notify Parent of such changes reflected in the revised Schedule of Exceptions as soon as practicable after Company becomes aware of such changes.

6.2 Compliance with Covenants. Company shall have duly performed and complied with all covenants, agreements and obligations required by this Agreement to be performed or complied with by it on or prior to the Closing.

6.3 Absence of Litigation. No action or proceeding shall be pending or, in the reasonable opinion of Acquiror, threatened by or before any court or other governmental body or agency seeking to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which would affect the right of Acquiror in a material adverse manner to own, operate or control the Business after the Closig Date.

6.4 Consents and Approvals. All Company's Required Consents shall have been made or obtained prior to or at the Closing.

6.5 SEC Approval. The Registration Statement shall have become effective and no stop order suspending the effectiveness or proceeding for that purpose shall have been issued and remain in effect. The shares of Parent Common Stock to be issued pursuant hereto shall have been approved for quotation on the Nasdaq National Market System.

6.6 Legal Opinion. Acquiror shall have received from Perkins Coie LLP, counsel to Company, an opinion, dated the Closing Date, in the form of Exhibit 6.6.

6.7 Patent Opinion. Acquiror shall have received a signed written competent opinion from Isaf, Vaughan & Kerr, for which Acquiror will pay all such firm's fees and costs without deduction from the purchase price paid to Shareholders hereunder, regarding a patent identified to Acquiror on the attached Schedule 2.14, which opinion shall state that the Software does not infringe such patent. Additionally, Acquiror shall have conducted a patent search at its sole expense for patents issued in the same category as the Software and shall be satisfied with the results thereof.

6.8 Affiliate and Market Stand-off Agreements. Parent shall have received from such of the Affiliates of Company (designated pursuant to Section 5.3 hereof) an Affiliate and Market Stand-off Agreement substantially in the form attached as Exhibit 6.8 acknowledging the restrictions imposed by the federal securities laws and regulations thereunder (including but not limited to SEC Rule 145) on the shares of Parent Common Stock to be received by such persons, and agreeing to be bound by such restrictions. Acquiror shall be entitled to place restrictive legends upon certificates for shares of Parent Common Stock issued to Affiliates of

Company pursuant to this Agreement to enforce the provisions of this Section 6.8. Acquiror shall not be required to maintain the effectiveness of the Registration Statement under the 1933 Act for the purposes of resale of Parent Common Stock by such Affiliates. The Affiliate and Market Stand-off Agreements of each of the former preferred shareholders of Company and Mr. Norman Behar will contain a lock-up agreement whereby such party will agree not to sell, assign, pledge, transfer, encumber or otherwise dispose of any shares of Parent Common Stock on or before the earlier of (i) October 1, 1999, and (ii) the nine (9) month anniversary of the Closing Date, and will contain a covenant preventing such shareholder from engaging in any "short-selling" of the Parent Common Stock and a release of all claims against the Company.

6.9 Key Employees. Acquiror shall have entered into employment agreements with each of the following persons who are currently employed in the Business: Norman Behar, Wayne Burns, Ona Karasa, and Todd Ostrander.

ARTICLE VII.
CONDITIONS PRECEDENT TO COMPANY'S OBLIGATIONS

The obligations of Company to consummate the transaction(s) contemplated by this Agreement are subject to the satisfaction of each of the following conditions on or before the Closing Date, unless specifically waived in writing by Company prior to the Closing:

7.1 Representations and Warranties. The representations and warranties of Acquiror contained in this Agreement shall have been true and correct on the date of this Agreement in a writing expressly referred to herein by or on behalf of the Acquiror pursuant to this Agreement and shall be true and correct on the Closing Date as though made on and as of the Closing Date. Acquiror shall have delivered a revised Schedule of Exceptions dated three days prior to the Closing Date, reflecting any changes occurring after the date of this Agreement that would be required in order to make the representations and warranties of Acquiror contained in this Agreement true and correct, on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except (a) for changes contemplated by this Agreement and (b) that the accuracy of representations and warranties which address matters only as of a particular date will be determined as of such date. Company shall have the right to review and approve the revised Schedule of Exceptions which must be acceptable to Company in its sole discretion; provided that the inclusion or addition of (i) any immaterial adverse item or (ii) any item which has a positive effect on Acquiror could not be the basis of Company's failure to approve or accept such revised schedules, or to close based on the condition contained in this Section 7.1.

7.2 Compliance with Covenants. Acquiror shall have duly performed and complied with all covenants, agreements and obligations required by this Agreement to be performed or complied with by it on or prior to the Closing.

7.3 Absence of Litigation. No action or proceeding shall be pending by or before any court or other governmental body or agency seeking to restrain, prohibit or invalidate the transactions contemplated by this Agreement.

7.4 Consents and Approvals. All Acquiror's Required Consents shall have been made or obtained prior to or at the Closing.

7.5 Legal Opinion. Company shall have received from Womble Carlyle Sandridge & Rice, PLLC, counsel to Acquiror, an opinion, dated the Closing Date, in the form of Exhibit 7.5.

7.6 SEC Approval. The Registration Statement shall have become effective and no stop order suspending the effectiveness or proceeding for that purpose shall have been issued and remain in effect. The shares of Parent Common Stock to be issued pursuant hereto shall have been approved for quotation on the Nasdaq National Market System.

7.7 Tax Opinion. Company shall have received an opinion from Perkins Coie LLP dated as of the date of filing of the Registration Statement and filed as an exhibit to the Registration Statement, and dated as of the Closing Date, in form and substance satisfactory to the Company substantially to the effect that on the basis of the facts and representations set forth in that opinion that are consistent with the state of facts in existence at the Effective Time (a) the Merger will be a reorganization under Section 368(a) of the Code and (b) no gain or loss will be recognized by the Company or its shareholders or by Parent or Newco upon the exchange of shares of Company common

stock or preferred stock for Parent Common Stock. The officers of Parent, Newco and the Company shall provide certificates of Parent, Newco, and the Company, respectively, to Perkins Coie LLP that Perkins Coie LLP may rely upon to support the factual basis and assumptions contained in its opinion.

ARTICLE VIII.
CLOSING

8.1 Closing. The closing of the Merger (the "Closing") shall take place at the offices of Womble Carlyle Sandridge & Rice, PLLC, in Atlanta, Georgia at 10:00 a.m., local time, on October 12, 1998, or such other date as may be mutually agreed upon by the parties hereto; provided, however: (a) if one or more conditions to this Agreement is not satisfied by such date, the party benefiting from such condition may elect, in its sole discretion, to waive such condition. The date of the Closing is referred to as the "Closing Date". For the purposes of passage of title and risk of loss, allocation of expenses, adjustments and other economic or financial effects of the transactions contemplated hereby, the Closing when completed shall be deemed to have occurred at 11:59 p.m., local time, on the Closing Date.

8.2 Deliveries by Company. At the Closing, Company shall deliver or cause to be delivered to Acquiror the following:

(a) A certificate of the President of Company confirming the satisfaction of the conditions set forth in Sections 6.1 and 6.2 hereof as to representations, warranties and covenants of Company.

(b) A copy of all corporate resolutions authorizing the execution, delivery and performance of the Company Agreements, and the consummation of the transactions contemplated herein and therein, accompanied by the certification of the Secretary of the Company to the effect that such resolutions are in full force and effect and have not been amended, modified or rescinded.

(c) A certificate of existence from the Secretary of State of the state of Company's incorporation.

(d) Each of the directors and officers and employees of Company shall have executed and delivered to Acquiror letters in substantially the form of Exhibit 8.2 hereto which letters shall be dated and effective as of the Effective Time.

(e) The legal opinion referred to in Section 6.6.

(f) Evidence that all Company's Required Consents have been obtained or satisfied.

(g) The Affiliate and Market Standoff Agreements.

(h) The share certificates representing the Company Shares duly endorsed in blank with signature guaranteed.

8.3 Deliveries by Acquiror. At the Closing, Acquiror shall deliver or cause to be delivered to Company the following:

(a) A certificate of the President of Acquiror confirming the satisfaction of the conditions set forth in Sections 7.1 and 7.2 hereof as to representations, warranties and covenants of Acquiror.

(b) A certificate of the President of Acquiror reaffirming the covenant set forth in Section 4.10 and furnishing the certificates required by Section 7.7 as of the Closing.

(c) A copy of all corporate resolutions authorizing the execution, delivery and performance of the Acquiror Agreements, and the consummation of the transactions contemplated herein and therein, accompanied by the

certification of the Secretary of Acquiror to the effect that such resolutions are in full force and effect and have not been amended, modified or rescinded.

(d) The legal opinion referred to in Section 7.5.

(e) Evidence that all Acquiror's Required Consents have been obtained or satisfied.

(f) Certificates evidencing the Parent Common Stock to be issued to the Shareholders against receipt of the certificates for the Company Shares.

(g) The Registration Statement, the 424(b) prospectus, written confirmation of the effectiveness of the Registration Statement and written confirmation that no stop order is in place with respect to the Registration Statement.

(h) The cash portion of the merger consideration.

(i) Receipt from the Escrow Agent under the Escrow and Indemnity Agreement confirming receipt of $2,500,000 into such escrow.

8.4 Deliveries by Company and Acquiror. Each of Company and Acquiror shall execute and deliver, or cause to be executed and delivered, to the other the following:

(a) The Certificate of Merger.

(b) The Escrow and Indemnity Agreement duly executed by Mr. Norman Behar and the Preferred Shareholders.

(c) Each of the Employment Agreements duly executed by the Company and its key executives.

(d) The Registration Rights Agreement.

ARTICLE IX.
INDEMNIFICATION

9.1 Indemnification by Company. Subject to consummation of the Closing and requirements, limitations, and exclusions and further provisions in this Article IX, Company shall and shall cause the Preferred Shareholders listed on Schedule 9.1 hereto, which schedule will be revised on or before Closing in a manner reasonably satisfactory to Acquiror to reflect changes in the price of the Parent Common Stock (the Company, together with the Preferred Shareholders, are "Company Indemnitors"), to, pursuant to the Escrow and Indemnity Agreement, severally in proportion to the percentages set forth on Schedule 9.1, indemnify, defend and hold harmless Acquiror and its officers, directors and affiliates (the "Acquiror Indemnitees") from, against, and with respect to any and all action or cause of action, loss, damage, claim, obligation, liability, penalty, fine, cost and expense (including without limitation reasonable attorneys' and consultants' fees and costs and expenses incurred in investigating, preparing, defending against or prosecuting any litigation, claim, proceeding, demand or request for action by any governmental or administrative entity), of any kind or character (a "Loss") arising out of or in connection with any of the following:

(a) any breach of any of the representations or warranties of Company contained in or made pursuant to this Agreement or any of the representations and warranties of any Shareholder in any other Company Agreement;

(b) any failure by Company or Shareholder to perform or observe, or

to have performed or observed, in full, any covenant, agreement or condition to be performed or observed by it pursuant to this Agreement or any Company Agreement;

(c) any breach by Company of any representation set forth in Section 2.14 hereof (an "IP Claim"); and

(d) any claim by a Shareholder relating to the allocation by Company of the cash and stock consideration to be received by each Shareholder in connection with the Merger; and

(e) any amount that shall have been paid by Acquiror to Shareholders in respect of shares of the Company with respect to which dissenters' rights have been perfected that shall be in excess of the amount of the value, as of the Effective Time, of the consideration such Shareholders would have received for such shares in the Merger if they had not exercised dissenters' rights plus any fees and expenses incurred by Acquiror Indemnitees in connection with defense of such dissenters' rights claim.

9.2 Indemnification by Acquiror. Subject to consummation of the Closing and requirements, limitations and exclusions and further provisions of this Article IX, Acquiror shall indemnify, defend and hold harmless Company, its officers, directors, shareholders, Preferred Shareholders, and affiliates (the "Company Indemnitees") from, against and with respect to any Loss arising out of or in connection with any of the following:

(a) any breach of any of the representations and warranties of Acquiror contained in or made pursuant to this Agreement or any Acquiror Agreement; and

(b) any failure by Acquiror to perform or observe, or to have performed or observed, in full, any covenant, agreement or condition to be performed or observed by it pursuant to this Agreement or any Acquiror Agreement.

Acquiror agrees that the Shareholders and Preferred Shareholders are third-party beneficiaries of this Agreement, entitled to enforce the respective terms of this Agreement inuring in favor of such Shareholders and Preferred Shareholders.

9.3 Notice of Claim. Any party seeking to be indemnified hereunder (the "Indemnified Party") shall, within fifteen (15) days following discovery of a Loss, (or five (5) days if the Indemnified Party has been served with a lawsuit or other proceeding) notify the party

from whom indemnity is sought (the "Indemnity Obligor") in writing of any claim for recovery, specifying in reasonable detail the nature of the Loss and the amount of the liability estimated to arise therefrom. The Indemnified Party shall provide to the Indemnity Obligor as promptly as practicable thereafter all information and documentation reasonably requested by the Indemnity Obligor to verify the claim asserted.

9.4 Defense. If the facts pertaining to a Loss arise out of the claim of any third party, or if there is any claim against a third party available by virtue of the circumstances of the Loss, the Indemnity Obligor may, by giving written notice to the Indemnified Party within (i) thirty (30) days upon receipt of notice of a claim not involving a lawsuit or proceeding, or (ii) fifteen (15) days following its receipt of the notice of such claim involving a lawsuit or proceeding, elect to assume the defense or the prosecution thereof, including the employment of counsel or accountants at its cost and expense; provided, however, that during the interim the Indemnified Party shall use its best efforts to take all action (not including settlement) reasonably necessary to protect against further damage or loss with respect to the Loss and comply with the terms and conditions of the Escrow and Indemnity Agreement; and, provided further that the Indemnity Obligor can only assume the defense if (a)

the claim does not exceed the funds placed in escrow under the Escrow and Indemnity Agreement, or (b) the Indemnity Obligor (i) provides commercially reasonable evidence that it will have sufficient financial resources to defend the claim and satisfy its indemnification obligations, and (ii) the Indemnity Obligor conducts the defense of the claim actively and diligently. The Indemnified Party shall have the right to employ counsel separate from counsel employed by the Indemnity Obligor in any such action and to participate therein, but the fees and expenses of such counsel shall be at the Indemnified Party's own expense. Whether or not the Indemnity Obligor chooses so to defend or prosecute such claim, all the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony and shall attend such conferences, discovery proceedings and trials as may be reasonably requested in connection therewith. If a claim is based on any suit or proceeding by a third party for infringement which gives rise to a IP Claim resulting in Acquiror's use of the Software being enjoined or otherwise restricted, the Indemnity Obligor, if it elects to assume defense of such proceeding after receiving notice hereunder, shall be entitled at its sole expense to do any of the following: (i) procure for Acquiror the unrestricted right to continue using the Software, (ii) modify the Software so that it becomes noninfringing, (iii) settle the third party's infringement claim in a manner that gives Acquiror the unrestricted rights to the software being enjoined or otherwise restricted, or (iv) pay the indemnified party's claim as provided in this Article, provided that any settlement under this sentence shall require Parent's prior written approval which shall not be unreasonably withheld. Acquiror shall comply with any settlement or court order made in connection with such proceeding in the foregoing sentence provided that such compliance by Acquiror shall not limit the Indemnity Obligor's indemnification obligations hereunder. The Indemnity Obligor shall not be liable for any settlement of any such claim effected without its prior written consent, which shall not be unreasonably withheld. Before any claim may be brought against any of the Company or Company Indemnitors, the funds in escrow established pursuant to the Escrow and Indemnity Agreement will be used first by the Company and Company Indemnitors to pay any claims made under this Article IX, and Acquiror hereby authorizes the Company and Company

Indemnitors to settle such claims without consent of the Acquiror to the extent of the funds in such escrow. Company and Company Indemnitors may also settle any claim for which they are Indemnity Parties without consent of Acquiror so long as the payment or performance does not either (y) exhaust the funds escrowed by the Escrow and Indemnity Agreement or (z) not exceed the maximum liability amounts set forth below. Settlements requiring performance or payment in excess of the maximum liability amounts shall require the Acquiror's prior written consent.

9.5 Limitations. The obligations of an Indemnity Obligor to indemnify an Indemnified Party pursuant to this Article IX shall accrue only after and to the extent the aggregate dollar amount of Losses incurred by an Indemnified Party for all matters indemnifiable hereunder exceed One Hundred Thousand Dollars (US $100,000) (the "Basket"), and then the Indemnity Obligor shall be only liable for such Losses in excess of $100,000. In addition, no single Loss in an amount of less than $10,000 may be applied to the Basket until such threshold amount is reached, and thereafter, single Claims of less than $10,000 must be aggregated so that no Claim is made for an amount of less than $10,000 singly or in the aggregate. The obligations of the Company Indemnitors to indemnify the Acquiror Indemnitees under this Article IX shall not exceed the $2,500,000 placed in escrow pursuant to Section 1.5 for claims for indemnification other than (a) IP Claims, which are addressed below, or (b) claims for indemnification related to a breach of the representations contained in Section 2.1 hereof. Notwithstanding anything in this Agreement to the contrary, the aggregate maximum liability of the Company Indemnitors for IP Claims shall not exceed Twelve Million Five Hundred Thousand Dollars ($12,500,000) for any IP Claims plus the cash amount remaining in escrow pursuant to the Escrow and Indemnity Agreement and no IP Claims may be made after the expiration of the one (1) year period following the Closing Date.

The indemnity provisions in this Article IX shall be the sole and exclusive remedy of an Indemnified Party for breaches of any representation, warranty, or covenant under this Agreement absent fraud or securities law violations.

The maximum liability for claims for breach of the representation and warranty in Section 2.1 is the purchase price (cash paid by Acquiror to Company's Shareholders at closing plus the market value of the shares transferred by Acquiror at Closing to the Company's Shareholders), minus the amount of the cash transferred to Acquiror from the escrow pursuant to the Escrow and Indemnity Agreement, further reduced by the aggregate amount paid by Company and Company Indemnitors in connection with all claims for breach of the representations and warranties made under Sections 2.14, 2.19, and 2.23(b). The maximum liability for claims for breach of the representations or warranties in Sections 2.19, and 2.23(b) is equal to the purchase price (cash paid by Acquiror to Company's Shareholders at closing plus the market value of the shares transferred by Acquiror at Closing to the Company's Shareholders), minus the amount of the cash transferred to Acquiror from the escrow pursuant to the Escrow Agreement, further reduced by the aggregate amount paid by Company and Company's Indemnitors in connection with all claims for breach of the representations and warranties made under Sections 2.1 or 2.14.

Notwithstanding anything in this Agreement to the contrary, neither the Company nor Company's Indemnitors will have any liability for any claim that the Software infringes the rights of a third party to the extent the claims arise from modification of the Software by Acquiror after the Closing Date or to the extent the infringement claim arises out of a combination of the Software with a program, product or material not transferred to Newco as of the Closing. In no circumstance (except as specifically provided below) will any Indemnity Obligor have any liability for indirect, incidental, exemplary, or consequential damages whatsoever (including, without limitation, damages for loss of profits, loss of data or other business information) or cover arising under this Agreement, even if the Indemnity Obligor has been advised of the possibility of such damages; provided, however, that although this sentence excludes claims for the Indemnified Party's lost profits, it does not limit the liability of any Indemnity Obligor under Section 9.1 for indirect, incidental, exemplary or consequential damages to the extent such damages, including lost profits, are included in a claim by a third party against the Acquiror or arise as a result of a third party claim that the Software is infringing or a claim of ownership rights in the Software (excluding Third Party Software), and to the extent indemnification under Section 9.1 covers such third party claims. Notwithstanding the foregoing, an Indemnified Party shall have the right to recover for direct out-of-pocket expenses, including its direct, demonstrable internal costs (without overhead) and/or external costs paid by Acquiror to remediate any Loss, whether or not such Loss arises in connection with a third party claim.

9.6 Casahl Litigation. Company will endeavor to seek an indemnification of the Acquiror and the Shareholders from Egghead.com, Inc. ("Egghead.com") covering the claims in the litigation commenced by Company and Egghead Software, Inc. (now known as Egghead.com) under Case No. 987331 pending in the Superior Court of California for the County of San Francisco (the "Casahl Litigation"). Before taking any action against the Preferred Shareholders (other than Egghead.com) with respect to any Loss arising from the Casahl Litigation, Acqurior agrees to use its reasonable best efforts to enforce the following with respect to the Casahl Litigation:

(a) The Separation Agreement, dated November 10, 1997, between Egghead Software, Inc., now know as Egghead.com, Inc. and the Company;

(b) Any reaffirmation by Egghead.com of the obligation in the last sentence of Section 4.02(a) of the Separation Agreement (in favor of Company, Newco, or Parent);

(c) Any other agreement with Egghead.com in which it agrees to defend, indemnify, and hold harmless Company, its past, present and future, successor and assigns, officers and directors, common shareholders (specifically excluding past Shareholder Egghead.com and specifically including future common shareholder Parent), the Preferred Shareholders (other than Egghead.com), agents, and employees, to the extent the Company, Newco, or Parent is made a beneficiary of such agreement, from and against any cost,

expense, loss, liability whatsoever arising in connection with the Casahl Litigation.

If, after notice to Egghead.com by Acquiror, Egghead.com fails or refuses to honor its indemnity, or other, obligations to Company, its past, present and future, successors and assigns, officers and directors, , the Preferred Shareholders (other than Egghead.com), agents, employees, and Parent, then to the extent the Company or Acquiror suffers a Loss as a result of the Casahl Litigation notwithstanding any of the above, then in such event each of the Preferred Shareholders identified on Schedule 9.6 (other than Egghead.com), severally in proportion which they bear to each other excluding Egghead.com based on the percentage set forth in Schedule 9.6, agree to defend, indemnify, and hold harmless the Acquiror from and against any cost, expense, loss or liability resulting from the Casahl Litigation. The indemnity obligations set forth in this Section 9.6 are in addition to Section 9.1 and are not subject to the limitations set forth in Section 9.5. Except as set forth in Section 9.7, payments made hereunder by a Preferred Shareholder shall not be reimbursed from the escrow funds nor count toward the maximum liability of a Company Indemnitor. In the event that a Preferred Shareholder fails to pay any amount due hereunder, such amount may be withdrawn from the escrow funds by Acquiror to the extent of that Preferred Shareholder's proportionate share in the escrow funds.

9.7 Fees or Expenses of Preferred Shareholder. After April 30, 2000, all fees, expenses and costs of any kind (including, without limitation, attorneys' fees and costs) incurred by any Preferred Shareholder in defense of any claim indemnified hereunder shall be reimbursed from the funds remaining in the escrow, at the termination of the escrow, established pursuant to the Escrow and Indemnity Agreement before any such funds are distributed to Shareholders.

ARTICLE X.
TERMINATION

10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By the mutual written consent of Company and Acquiror;

(b) By Company (if Company is not then in breach of any term of this Agreement), if Acquiror shall (i) fail to perform its agreements contained herein required to be performed on or prior to the Closing Date, or (ii) breach any of its representations or warranties contained herein, which failure or breach is not cured within ten days after Company has notified Acquiror of its intent to terminate this Agreement pursuant to this subparagraph;

(c) By Acquiror (if Acquiror is not then in breach of any term of this Agreement), if Company shall (i) fail to perform its agreements contained herein required to be performed on or prior to the Closing Date, or (ii) breach any of its representations or warranties contained herein, which failure or breach is not

cured within ten days after Acquiror has notified Company of its intent to terminate this Agreement pursuant to this subparagraph;

(d) By either Company or Acquiror, if there shall be any order, writ, injunction or decree of any court or governmental or regulatory agency binding on Company or Acquiror which prohibits or restrains Company or Acquiror from consummating the transactions contemplated hereby;

(e) By either Company or Acquiror, if the Closing has not occurred by November 15, 1998, for any reason other than delay or nonperformance of the party seeking such termination;

(f) By either Acquiror or Company if the average closing sales price of the Parent Common Stock as reported by Nasdaq for any ten (10) consecutive trading day period after September 1, 1998 is less than Five Dollars ($5.00) per share;

(g) By Company if the closing sales price for Parent Common Stock as reported by Nasdaq for the trading day immediately preceding the Closing Date is less than $5.75; and

(h) By Acquiror or Company if the closing price of Parent Common Stock as reported by Nasdaq for the trading day immediately preceding the Closing Date is less than $5.00.

10.2 Effect on Obligations. Termination of this Agreement pursuant to this Article shall terminate all obligation of the parties hereunder, except for the obligations under Sections 10.3, 10.4, 11.2 (with respect to expenses), 11.3 (with respect to publicity) and 5.2 (with respect to confidentiality); and, provided, however, that termination pursuant to subparagraphs (b) or (c) of Section 10.1 shall not relieve the defaulting or breaching party from any liability to the other party hereto.

10.3 Minority Investment. Acquiror agrees to establish a segregated account with its depository bank and to place $2,000,000 in escrow pursuant to the Escrow and Minority Investment Agreement for the purposes of this Section 10.3. In the event that the transactions contemplated by this Agreement are not consummated by November 15, 1998, due to (i) the failure of the conditions outlined in Section 6.5 and 6.7 to be fulfilled, (ii) the failure of Acquiror to fulfill any one of the conditions outlined in Article 7 hereof, other than Sections 7.3, 7.4 and 7.7, or (iii) termination of this Agreement under Section 10.1(f) or 10.1(h) then the Company will be entitled to receive the $2 million from escrow in the form of a non-interest bearing bridge loan which will automatically convert into equity as described below. Acquiror will purchase from the Company, and the Company will issue to the Acquiror, shares of preferred stock of the Company for a total purchase price of Two Million Dollars ($2,000,000), which will be paid by the conversion of such bridge loan into equity, on the same terms and conditions, including price per share and the rights, preferences and privileges of the shares, as Company's proposed

Series C Preferred Stock equity financing involving one or more investors who are not Shareholders or affiliates of Shareholders of the Company on the date hereof and in which Company raises a minimum of $4,000,000 in capital, including the amount invested by Acquiror (the "Series C Financing"). In the event that the Company's Series C Financing is not consummated prior to the later of (i) December 31, 1998, and (ii) ninety (90) days following the date on which Acquiror fails to fulfill a condition to Closing hereunder, then Acquiror shall purchase from Company and Company shall sell to Acquiror shares of Company's Series B Preferred Stock on the same price, terms, rights and preferences as previously issued. In connection therewith, Acquiror shall be entitled to designate one person to the Company's Board of Directors as long as it continues to own such preferred shares. In connection with such equity investment the Acquiror and the Company will enter into standard documents evidencing such transactions.

10.4 Termination Fee. In the event that the transactions contemplated by this Agreement are not consummated by November 15, 1998, due to the failure of Company to fulfill any one of the conditions outlined in Article 6 hereof, other than Sections 6.3, 6.4, 6.5, 6.7 and 6.9 (other than the agreement of Mr. Behar), then the Company will reimburse Parent for two-thirds (2/3) of the amount of all legal, accounting, investment banking, appraisal, SEC, Nasdaq and printing costs and expenses incurred and paid by Parent in connection with the negotiation and preparation of this Agreement and the documents contemplated hereby and the other actions of the Parent required to be taken hereunder, up to a maximum reimbursement of $500,000. Such reimbursement to be made in the form of a credit by Company against future royalties and license fees owed or to be owed by Acquiror under the OEM Agreement, including minimum payments due thereunder. Any such credit against future royalties shall be applied to royalties owing for the 1999 calendar year, in the amount of twenty-five percent (25%) of the total credit per quarter.

ARTICLE XI.
MISCELLANEOUS

11.1 Survival of Representations. The representations and warranties in Section 2.14 shall survive for a one (1) year period following the Closing Date. The representations set forth in Sections 2.1, 2.19 and 2.23(b) shall survive until the earlier of ten (10) years or the running of the applicable statute of limitations. All other representations and warranties of the parties hereto contained in this Agreement or otherwise made in writing in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement and the Closing hereunder until April 30, 2000.

11.2 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense whether or not the Merger is consummated, provided that the Company shall pay up to $150,000 in expenses prior to Closing, and if the transactions contemplated hereby are consummated, the fees and expenses of the Company in excess of $150,000 in the aggregate shall be deducted from the cash portion of the Merger consideration.

11.3 Publicity. Each of Company and Acquiror agrees it will not make any press releases or other announcements prior to the Closing with respect to the transactions contemplated hereby, except as required by applicable law, without the prior approval of the other party, which will not be unreasonably withheld.

11.4 Best Efforts. Each party hereto agrees to use its best efforts to satisfy the conditions to the Closing set forth in this Agreement and otherwise to consummate the transactions contemplated by this Agreement.

11.5 Notices. All notices, demands and other communications required or permitted hereunder shall be in writing and may be telexed or telecopied, which shall be followed forthwith by letter, and such notice, request, demand or other communication shall be deemed to have been received on the next business day following dispatch and acknowledgment of receipt by the recipient's telex or telecopy machine. In addition, notices hereunder may be delivered by hand, in which event the notice shall be deemed effective when delivered, or by overnight courier, in which event the notice shall be deemed to have been received on the next business day following delivery to such courier. Notices, requests, demands and other communications may not be given by regular or certified mail. All notices and other communications under this Agreement shall be given to the parties hereto at the following addresses:(or such other address for a party as shall be specified by like notice):

If to Company:

Elekom Corporation
Pacific First Plaza, Eighth Floor
155 - 108th Avenue
Bellevue, Washington 98004
Attention: Norman Behar, President and CEO
Facsimile: (425) 990-3075

With a copy (which shall not constitute notice) to:

Perkins Coie LLP
411 - 108th Avenue N.E.
Suite 1800
Bellevue, Washington 98004-5584
Attention: Kurt Becker
Facsimile: (425) 453-7350

If to Acquiror:

Clarus Corporation, formerly known as SQL Financials
International, Inc.
3950 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
Attention: Stephen P. Jeffery, President and CEO
Facsimile: (770) 291-8573

With a copy (which shall not constitute notice) to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.
Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

11.6 Governing Law. This agreement shall be governed by the laws of the State of Georgia applicable to agreements made and to be performed entirely within such state.

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

11.8 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of all other parties hereto, and any purported assignment without such consent shall be void.

11.9 Third Party Beneficiaries. None of the provisions of this Agreement or any document contemplated hereby is intended to grant any right or benefit to any person or entity (other than the Shareholders and Preferred Shareholders of the Company) which is not a party to this Agreement.

11.10 Headings. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of this Agreement and shall not in any way affect the meaning or interpretation of this Agreement.

11.11 Amendments. Any waiver, amendment, modification or supplement of or to any term or condition of this Agreement shall be effective only if in writing and signed by all parties hereto, and the parties hereto waive the right to amend the provisions of this Section orally.

11.12 Specific Performance. The Company acknowledges that the Business of the Acquiror is unique and that if the Company fails to consummate the transactions contemplated by this Agreement such failure will cause irreparable harm to Acquiror for which there will be no adequate remedy at law. The Acquiror shall be entitled, in addition to its other remedies at law or at equity, to specific performance of this Agreement if the Company shall, without cause, refuse to consummate the transactions contemplated by this Agreement. Acquiror acknowledges that the Business of the Company is unique and that if Acquiror fails to consummate the transactions contemplated by this Agreement such failure will cause irreparable harm to the Company for which there will be no adequate remedy at law. The Company shall be entitled, in addition to its other remedies at law or at equity, to specific performance of this Agreement if Acquiror shall, without cause, refuse to consummate the transactions contemplated by this Agreement.

11.13 Construction. The parties acknowledge that this Agreement and the documents to be entered into in connection herewith have been jointly prepared by both Acquiror and Company and the rule of strict construction against the drafter shall not apply to this Agreement and the documents to be entered into in connection herewith.

11.14 Severability. In the event that any provision in this Agreement shall be determined to be invalid, illegal or unenforceable in any respect, the remaining provisions of this Agreement shall not be in any way impaired, and the illegal, invalid or unenforceable provision shall be fully severed from this Agreement and there shall be automatically added in lieu thereof a provision as similar in term sand intent to such severed provision as may be legal, valid and enforceable.

11.15 Entire Agreement. This Agreement and the Schedules and Exhibits hereto constitute the entire contract between the parties hereto pertaining to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings between the parties with respect to such subject matter.

11.16 Further Assurances. Company shall, at any time on or after the Closing Date, take any and all steps requested by Acquiror to place Acquiror in possession and operating control of the Business, and will do, execute, acknowledge and deliver all such further reasonable acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be required for the more effective transfer to and reduction to possession of Acquiror, or its successors or assigns, of any of the Company's assets.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed by its duly authorized officer as of the date first above written.

ELEKOM CORPORATION

By: /s/ Norman Behar

NORMAN BEHAR, President and CEO

CLARUS CORPORATION, formerly known as SQL Financials International, Inc.

By: /s/ Stephen P. Jeffery

STEPHEN P. JEFFERY, President and CEO

CLARUS CSA, INC.

By: /s/ Stephen P. Jeffery

STEPHEN P. JEFFERY, President and CEO

EXHIBIT 2.2

ESCROW AND MINORITY INVESTMENT AGREEMENT

This ESCROW AND MINORITY INVESTMENT AGREEMENT (this "Agreement") is made and entered into as of August 31, 1998 among Clarus Corporation, former known as SQL Financials International, Inc., a Delaware corporation ("SFI"), Elekom Corporation, a Washington corporation ("Elekom"), and US Bank Trust National Association (together with its successors and assigns, the "Escrow Agent").

RECITALS

A. SFI has entered into an Agreement and Plan of Reorganization dated as of August 31, 1998 (the "Merger Agreement") with Elekom pursuant to which SFI will acquire all of the stock and going business of Elekom pursuant to a forward triangular merger (the "Merger");

B. Pursuant to Section 10.3 of the Merger Agreement, SFI has agreed to deposit with the Escrow Agent $2 million to be distributed to Elekom or to be returned to SFI in each case in accordance with this Agreement.

D. The execution and delivery of this Agreement by Elekom is a condition precedent to the obligations of SFI under the Merger Agreement.

E. The Escrow Agent is willing to act as escrow agent hereunder.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. DEFINITIONS

1.1 SPECIFIC DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated below.

"Claim Amount," with respect to any Notice of Claim, means Two Million Dollars ($2,000,000) due to Elekom pursuant to Section 10.3 of the Merger Agreement.

"Contesting Direction" means a written direction from SFI, which direction contests an Elekom Direction. Each Contesting Direction must be delivered to the Escrow Agent in the manner set forth in Section 7 hereof, and copies of such direction must be delivered in like manner to Elekom.

"Elekom Direction" means a written direction from Elekom specifying that a claim referred to in Section 10.3 of the Merger Agreement and covered by a Notice of Claim has been made, and further specifying the Claim Amount. Each Elekom Direction must be delivered to the Escrow Agent in the manner set forth in Section 7 hereof, and copies of such direction must be delivered in like manner to SFI.

"Escrow Fund" has the meaning ascribed to such term in Section 3 hereof.

"Escrow Termination Date" means the earlier of (i) the date of the Closing of the transactions contemplated by the Merger Agreement, (ii) the date of termination of the Merger Agreement for any reason other than an item specified in Section 10.3 of the Merger Agreement which provides for release of the Escrow Funds as set forth herein, and (iii) November 15, 1998.

"Holdback" has the meaning ascribed to such term in Section 4.1 hereof.

"Joint Direction" means a written direction relating to (i) a Notice of Claim, (ii) the investment of the Escrow Fund or, (iii) removal of the Escrow Agent in accordance with Section 5.8 hereof, in each case executed by Elekom and SFI, and delivered to the Escrow Agent in the manner set forth in Section 7 hereof.

"Notice of Claim" means a written notice from Elekom delivered to the

Escrow Agent and SFI in the manner set forth in Section 7 hereof on or before the Escrow Termination Date, specifying that facts exist which may give rise to a claim under Section 10.3 of the Merger Agreement, also specifying the Claim Amount and describing in reasonable detail the nature of the matter or matters covered by the Notice of Claim.

1.2 GENERALLY

Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement.

1.3 NOT A PARTY TO OTHER AGREEMENTS

The Escrow Agent is not a party to, and is not bound by or obligated to take any notice of, any agreement out of which this escrow may arise, including, but not limited to, the Merger Agreement.

2. APPOINTMENT OF ESCROW AGENT

Elekom and SFI hereby appoint US Bank Trust National Association, __ as Escrow Agent, and US Bank Trust National Association hereby agrees to serve as Escrow Agent upon the terms and conditions set forth herein.

3. ESCROW FUND

3.1 DEPOSIT; ESTABLISHMENT OF ESCROW FUND

On the date hereof, SFI has deposited with the Escrow Agent funds in the aggregate amount of $2,000,000, which the Escrow Agent shall promptly deposit in a fully segregated escrow account and invest in accordance with the instructions given in Section 3.2 below (the "Escrow Fund") for the purpose of holding such amounts in trust for the benefit of Elekom and SFI and which funds will be retained, managed and disbursed by the Escrow Agent subject to the terms and conditions hereof. Any and all interest which may be earned and received on the Escrow Fund shall be for the account of SFI and shall not constitute part of the Escrow Funds.

3.2 INVESTMENT OF FUNDS

During the term of this Agreement, the Escrow Agent shall invest and reinvest any funds on deposit in the Escrow Fund in (i) an interest-bearing account or other investment vehicle specified by SFI with a maturity not greater than thirty (30) days and which is limited to investments backed by the United States Government or such financial institutions insured by the Federal Deposit Insurance Corporation, having a net worth of not less than US One Hundred Million Dollars ($100,000,000) or (ii) such other securities as are set forth in a Joint Direction, until such time as the entire amount of the Escrow Fund is released from escrow and paid out by the Escrow Agent in accordance with the terms of this Agreement. The record owner of any securities or other investments in which the assets of the Escrow Fund are from time to time invested or reinvested shall be the Escrow Agent or its nominee. In no event shall any part of the Escrow Fund be commingled with any other funds held by the Escrow Agent or any of its parents, subsidiaries or affiliates. The Escrow Agent shall, promptly following the end of each calendar month, send to each of SFI and Elekom with respect to the Escrow Fund a statement of holdings and transactions in form and substance customarily provided to clients, which statement shall include, without limitation, interest or other income received during such calendar month in respect of the Escrow Fund, which shall be paid over to SFI on a monthly basis.

All entities entitled to receive interest from the escrow agent will provide Escrow Agent with a W-9 or W-8 IRS tax form prior to the disbursement of interest. A statement of citizenship will be provided if requested by Escrow Agent.

Parties hereto may elect to request transfer of funds by Fedwire from time to time, subject to the conditions stated herein. Parties hereto agree that the wire transfer security procedures identified on the attached Exhibit A to this agreement are commercially reasonable. Parties hereto further agree that Escrow Agent should use these procedures to detect unauthorized wire transfer payment

requests prior to executing such requests and further agree that any request acted upon by the Escrow Agent in compliance with these security procedures, whether or not authorized, shall be treated as an authorized request. Parties hereto agree that the Escrow Agent has the right to change the wire transfer security procedures from time to time and that use of any changed procedures evidences the acceptance of the commercial reasonability of such change by the parties hereto.

4. ADMINISTRATION OF ESCROW FUND

4.1 CLAIMS AGAINST ESCROW FUND

If, on or before the Escrow Termination Date, the Escrow Agent receives a Notice of Claim from Elekom, then, the Escrow Agent shall, from and after its receipt of that Notice of Claim, hold the Escrow Fund (the "Holdback") until such time (whether before or after the Escrow Termination Date) as the conditions of Section 4.2 hereof have been complied with as to such Notice of Claim.

4.2 DISTRIBUTIONS

4.2.1 DISTRIBUTIONS ON JOINT DIRECTION

If at any time, or from time to time, prior to, or on the Escrow Termination Date, the Escrow Agent receives a Joint Direction regarding a Notice of Claim, the Escrow Agent shall comply with such Joint Direction.

4.2.2 DISTRIBUTION ON ELEKOM DIRECTION

(a) If at any time, or from time to time, prior to, or on the Escrow Termination Date, the Escrow Agent receives an Elekom Direction, and if the Escrow Agent does not within 20 days after the date of its receipt of that Elekom Direction receive a related Contesting Direction, then the Escrow Agent shall, within 3 days after such 20th day and after confirmation with Elekom of the amount, pay to Elekom the Claim Amount, as specified in the Elekom Direction, or the remainder of the Escrow Fund should it be less than the Claim Amount. Elekom hereby agrees that such funds shall constitute a bridge loan pursuant to section 10.3 of the Merger Agreement.

(b) If the Escrow Agent does receive a Contesting Direction within such 20-day period, then it shall continue to hold any Holdback amount necessary to cover any disputed portion of the Claim Amount until such time as the Escrow Agent receives either a Joint Direction, or a notice from Elekom or SFI directing the Escrow Agent with respect to the disbursement, release or any other disposition of the amount of the Holdback accompanied by a copy of the final order, judgment or decree from a court of competent jurisdiction with respect to such claim, and the Escrow Agent has received an opinion of legal counsel (the reasonable fees and cost for which shall be an additional Loss hereunder) acceptable to the Escrow Agent that as to such order, judgment or decree all rights of appeal have expired or been waived. Within 5 days of the receipt by the Escrow Agent of such Joint Direction or such notice and legal opinion contemplated by the immediately preceding sentence, the Escrow Agent shall distribute to Elekom or SFI (as specified in such Joint Direction or such notice) the Claim Amount specified in such Joint Direction or the amount contemplated by such notice, as the case may be, or the remainder of the Escrow Fund should it be less. If payment is to be made to Elekom pursuant to this Section 4.2.2, such payment must be made in the manner set forth in Section 4.3 hereof.

4.2.3 DISTRIBUTIONS ON ESCROW TERMINATION DATE

On the Escrow Termination Date, without further notice or request, the Escrow Agent shall distribute to SFI in the manner set forth in Section 4.3 hereof any amounts remaining in the Escrow Fund which are not subject to Holdback. Amounts remaining in the Escrow Fund which are subject to Holdback will be distributed when, and only when, the conditions of Section 4.2.2 hereof are satisfied.

4.3 DISTRIBUTIONS TO SFI AND ELEKOM

In the event that the Escrow Agent is required to distribute any part of the Escrow Fund to Elekom or SFI, the Escrow Agent will make payment by issuance of its check, delivered by first class or overnight mail to the address set forth in Section 7 hereof, representing an amount equal to the total amount then to be distributed from the Escrow Fund.

5. ESCROW AGENT

5.1 PAYMENTS TO ESCROW AGENT

Escrow Agent shall be paid for services hereunder in accordance with the attached fee schedule and shall be reimbursed for its out of pocket expenses for fees of counsel in setting up the escrow. Payments of all fees shall be the responsibility of Elekom and may, to the extent of unpaid fees and expenses, be deducted from any property placed within the escrow with Escrow Agent. In the event that Escrow Agent is made a party to litigation with respect to the property held hereunder, or brings an action in interpleader or in the event that the conditions of this escrow are not promptly fulfilled, or Escrow Agent is required to render any service not provided for in this agreement and fee schedule, or there is any assignment of the interest of this escrow or any modification hereof, Escrow Agent shall be entitled to reasonable compensation for such extraordinary services and reimbursement for all fees, costs, liability and expenses, including attorney fees. The Escrow Agent may amend its fee schedule from time to time on 60 days prior written notice to the parties.

If any controversy arises between the parties hereto or with any third person, Escrow Agent shall not be required to resolve the same or to take any action to do so but may, at its discretion, institute such interpleader or other proceedings as it deems proper. Escrow Agent may rely on any joint written instructions as to the disposition of funds, assets, documents, or other held in escrow.

5.2 INDEMNIFICATION OF ESCROW AGENT

The Escrow Agent will be indemnified and held harmless by Elekom and SFI from and against any and all reasonable and necessary fees and expenses arising

out of or relating to the execution or performance by the Escrow Agent of its duties under this Agreement, including reasonable and necessary attorneys' fees, expenses and disbursements, including without limitation fees and expenses incurred prior to trial, at trial, and on appeal and in any bankruptcy or arbitration proceeding, or losses suffered by the Escrow Agent hereunder; provided, however, that the Escrow Agent will not be indemnified and held harmless with respect to such fees and expenses or losses which result from or arise out of the Escrow Agent's gross negligence, willful misconduct or bad faith.

5.3 ESCROW AGREEMENT GOVERNS

The duties and obligations of the Escrow Agent will be determined solely by the express provisions of this Agreement, and the Escrow Agent will not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement.

5.4 RELIANCE ON DOCUMENTS, INSTRUMENTS, SIGNATURES

In the performance of its duties hereunder, the Escrow Agent will be entitled to rely upon any document, instrument or signature believed by it in good faith to be genuine and signed by any party hereto or an authorized officer or agent thereof, and will not be required to investigate the truth or accuracy of any statement contained in any such document or instrument, or whether or not the document, instrument or notice has been delivered to any party other than the Escrow Agent, or whether or not a Notice of Claim contains "reasonable detail" of the issue underlying the amount claimed or the reason for the claim. The Escrow Agent may assume that any person purporting to give any notice in accordance with the provisions hereof has been duly authorized to do so.

5.5 REMOVAL AND RESIGNATION

The Escrow Agent may at any time be removed by a Joint Direction upon 30

days' notice. The Escrow Agent or any successor to it as Escrow Agent hereunder appointed may at any time resign and be discharged of the duties imposed hereunder by giving 30 days' notice to each of SFI and Elekom. Such removal or resignation shall take effect upon a successor escrow agent's acceptance of such appointment. Any such successor will be jointly appointed by SFI and Elekom.

5.6 MERGER

Any corporation into which the Escrow Agent may be merged or with which it may be consolidated, or to which it may sell substantially all of its corporate trust business, or any corporation resulting from any merger or consolidation or conversion to which it shall be a party, shall in fact be the successor to the Escrow Agent without the execution or filing of any paper or any further act on the part of any of the parties hereto.

6. TERM AND EFFECT

This Agreement will take effect immediately upon receipt by the Escrow Agent of the Escrow Fund and will terminate when the Escrow Agent has distributed all amounts contained in the Escrow Fund.

7. NOTICES

All notices, demands and other communications required or permitted hereunder shall be in writing and may be telexed or telecopied, which shall be followed forthwith by letter, and such notice, request, demand or other communication shall be deemed to have been received on the next business day following dispatch and acknowledgment of receipt by the recipient's telex or telecopy machine. In addition, notices hereunder may be delivered by hand, in which event the notice shall be deemed effective when delivered, or by overnight courier, in which event the notice shall be deemed to have been received on the next business day following delivery to such courier. Notices, requests, demands and other communications may not be given by regular or certified mail. All notices and other communications under this Agreement shall be given to the parties hereto at the following addresses:(or such other address for a party as shall be specified by like notice):

If to Company:

Elekom Corporation

Pacific First Plaza, Eighth Floor
155 - 108th Avenue
Bellevue, Washington 98004
Attention: Norman Behar, President and CEO
Facsimile: (425) 990-3075
Telephone: (425)-990-3060

With a copy (which shall not constitute notice) to:

Perkins Coie LLP
411 - 108th Avenue N.E.
Suite 1800
Bellevue, Washington 98004-5584
Attention: Kurt Becker
Facsimile: (425) 453-7350

If to SFI:

SQL Financials International, Inc.
3950 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
Attention: Stephen P. Jeffery, President and CEO
Facsimile: (770) 291-8573
Telephone: _____

With a copy (which shall not constitute notice) to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.
Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

(c) If to Escrow Agent:

US Bank Trust National Association
601 Union Street, Suite 2120
Seattle, WA 98101
Attention: Linda Houston
Facsimile: (206) 461-4175
Telephone: (206) 461-4105

Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 16.

8. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

9. APPLICABLE LAW

This Agreement will be governed by and construed and enforced in accordance with the internal laws of the State of Georgia without regard to any rules governing conflicts of laws. The exclusive jurisdiction for any action by any of the parties hereto with respect to this Agreement or the Escrow Funds shall be the state and federal courts situated in Hennepin County, Minnesota.

10. ASSIGNMENT

This Agreement will inure to the benefit of, and be binding upon, SFI and Elekom and their successors and assigns. This Agreement and the rights and obligations hereunder of the Escrow Agent may be assigned by it only to a successor to the Escrow Agent's entire corporate trust department.

11. ENTIRE AGREEMENT, AMENDMENTS AND WAIVERS

This Agreement contains the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, negotiations, discussions, arrangements or understandings with respect thereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

12. EXPENSES

Except as otherwise provided for herein, each party shall be responsible for its own costs and expenses with respect to matters involving this Agreement.

13. HEADINGS

The headings in this Agreement shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions of sections of this Agreement.

14. SEVERABILITY

If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, such determination shall not affect any other provision,

covenant, obligation or agreement, each of which shall be construed and enforced as if such invalid or unenforceable portion were not contained therein. Such invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

15. COVENANT REGARDING USE OF US BANK TRUST NATIONAL ASSOCIATION NAME

The parties hereto hereby agree not to use the name of U.S. BANK TRUST NATIONAL ASSOCIATION to imply an association with the transaction other than that of a legal escrow agent.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CLARUS CORPORATION, formerly known as SQL Financials International, Inc.

By:

Stephen P. Jeffery, President and CEO

ELEKOM CORPORATION

By:

Norman Behar, President and CEO

Its:

ESCROW AGENT

By: /s/

Its:

EXHIBIT 4.2

NUMBER SHARES
CLRS CLARUS
INCORPORATED UNDER THE LAWS OF DELAWARE

COMMON STOCK CUSIP 182707 10 9
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, $.0001 PAR VALUE, OF
CLARUS CORPORATION
transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated

SEAL
COUNTERSIGNED AND REGISTERED:
FIRST UNION NATIONAL BANK
(CHARLOTTE, N.C.)
TRANSFER AGENT
AIJ REGISTRAR

/s/ Arthur G. Walsh, Jr. /s/ Steven P. Jeffery
---------- ----------
BY SECRETARY PRESIDENT AND CHIEF
---------- EXECUTIVE OFFICER
AUTHORIZED SIGNATURE

CLARUS CORPORATION

THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS. SUCH REQUEST SHALL BE MADE IN WRITING AND MAY BE MADE TO THE CORPORATION OR TO THE TRANSFER AGENT.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

<TABLE>
<S> <C>
TEN COM - as tenants in common UNIF GIFT MIN ACT - _____ Custodian _____
TEN ENT - as tenants by the entireties (Cust) (Minor)
JT TEN - as joint tenants with right of under Uniform Gifts to Minors
survivorship and not as tenants Act_____ _____
in common (State)

Additional abbreviations may also be used though not in the above list.
</TABLE>

FOR VALUE RECEIVED, _____ HEREBY SELL, ASSIGN AND TRANSFER UNTO

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE
- ----------

- ----------

- ----------
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

- ----------

- ----------

Shares
- ----------
of the common stock represented by the within the Certificate,and do hereby irrevocably constitute and appoint

Attorney
- ----------
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated

X

X

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION SUCH AS A SECURITIES BROKER/DEALER, COMMERCIAL BANK, TRUST COMPANY, SAVINGS ASSOCIATION OR A CREDIT UNION PARTICIPATING IN A MEDALLION PROGRAM PURSUANT TO RULE 17\d-15 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR DESTROYED, THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

EXHIBIT 4.3

VOTING AGREEMENT

This Voting Agreement is entered into as of August __, 1998, by and between Clarus Corporation, a Delaware corporation ("SFI") and _____, a Washington resident ("Shareholder").

RECITALS

A. SFI and Elekom Corporation, a Washington corporation ("Elekom"), have entered into an Agreement and Plan of Reorganization of even date herewith (the "Merger Agreement"), which provides (subject to the conditions set forth therein) for the merger of Elekom, a wholly-owned subsidiary of SFI ("Newco") in a forward triangular merger (the "Merger"), with Newco to be the surviving corporation of the Merger. Capitalized terms used but not otherwise defined in this Voting Agreement have the meanings ascribed to such terms in the Merger Agreement.

B. As of the date hereof, Shareholder owns in the aggregate (including shares held both beneficially and of record and other shares held either beneficially or of record) the number of shares of the Common Stock, the Series A Preferred Stock or the Series B Preferred Stock of Elekom set forth below Shareholder's name on the signature page hereof (all such shares, together with any shares of the Common Stock, the Series A Preferred Stock, the Series B Preferred Stock or other shares of capital stock of Elekom that may hereafter be acquired by Shareholder, being referred to herein as the "Subject Shares").

C. As a condition to the willingness of SFI to enter into the Merger Agreement, SFI has required that Shareholder agree, and in order to induce SFI to enter into the Merger Agreement Shareholder has agreed to enter into this Voting Agreement.

NOW, THEREFORE, for and in consideration of the foregoing and the mutual terms and provisions of this Voting Agreement, the sufficiency of which is hereby acknowledged, the parties to this Voting Agreement, intending to be legally bound, agree as follows:

1. RESTRICTIONS ON TRANSFER

1.1 No Disposition of or Encumbrances on Subject Shares.

(a) Shareholder hereby covenants and agrees that prior to the Expiration Date (as defined below), Shareholder will not, directly or indirectly, (i) offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of or transfer (or announce any offer, sale, offer of sale, contract of sale, or grant of any option to purchase or other disposition or transfer of) any of the Subject Shares to any person or entity (each, a "Person") other than SFI, (ii) create, or permit to exist any encumbrances on any of the Subject Shares or (iii) reduce its beneficial ownership of, interest in, or risk relating to, any of the Subject Shares.

(b) As used in this Voting Agreement, the term "Expiration Date" shall mean the earlier of the date upon which the Merger Agreement is validly terminated or the date upon which the Merger becomes effective.

1.2 Transfer of Voting Rights.

Shareholder covenants and agrees that, prior to the Expiration Date, Shareholder will not deposit any of the Subject Shares into a voting trust or grant a proxy or enter into a voting agreement with respect to any of the Subject Shares.

2. VOTING AGREEMENTS

2.1 Pre-Termination Voting Agreement.

Shareholder hereby agrees that,

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prior to the Expiration Date, at any meeting of the shareholders of Elekom, however called, and in any written action by consent of shareholders of Elekom, unless otherwise directed in writing by SFI, Shareholder shall vote the Subject Shares:

(i) in favor of the Merger, the execution and delivery by Elekom of the Merger Agreement and the adoption and approval of the terms thereof and in favor of each of the other actions contemplated by the Merger Agreement and any action required in furtherance hereof and thereof;

(ii) against any Acquisition Proposal (other than the Merger) and against any action or agreement that would result in a breach of any covenant or obligation of Elekom in the Merger Agreement; and

(iii) against any other action which is intended, or could reasonably be expected to, impede, interfere with, delay, postpone, or adversely affect the Merger or any of the other transactions contemplated by the Merger Agreement.

Prior to the earlier to occur of the valid termination of the Merger Agreement or the Effective Time, Shareholder shall not enter into any agreement or understanding with any Person to vote or give instructions in any manner inconsistent with clause "(i)", "(ii)", or "(iii)" of the preceding sentence.

2.2 Proxy. Contemporaneously with the execution of this Voting Agreement, Shareholder delivers to Stephen P. Jeffery a proxy in the form attached hereto as Exhibit A (the "Proxy").
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3. WAIVER OF APPRAISAL RIGHTS

Shareholder hereby irrevocably waives and agrees not to assert any and all rights of appraisal or dissenters' rights that Shareholder may have or hereafter acquire pursuant to Chapter 13 of the Washington Business Corporation Act or any other applicable laws in connection with the Merger.

4. NOTICE OF SHAREHOLDER MEETINGS AND PROPOSED CONSENTS

For the purpose of effectively carrying out and furthering the intent of this Voting Agreement and allowing SFI to exercise its rights hereunder, Shareholder agrees to give SFI prompt written notice of any meeting of the shareholders of Elekom or proposed written consent of the shareholders of Elekom with respect to the matters covered by the Proxy (which notice shall, in any event be given in a manner to be received not later than two (2) days before such meeting or consent action). SFI acknowledges that the obligations of this Section 4 will be satisfied with respect to a given meeting or proposed written consent once it has received notice with respect to such meeting or proposed written consent from any of Shareholder, Elekom or any other shareholder of Elekom executing a similar voting agreement.

5. MISCELLANEOUS

5.1 Indemnification. Shareholder shall hold harmless and indemnify SFI from and against any and all claims, demands, actions, losses, costs, damages, liabilities and expenses including, without limitation, attorney's fees (collectively "Damages") (regardless of whether or not such Damages relate to a third-party claim) which are incurred by SFI to the extent that such Damages arise from any breach of any covenant or obligation of Shareholder contained herein.

5.2 Expenses. All costs and expenses incurred in connection with the transactions contemplated by this Voting Agreement shall be paid by the party incurring such costs and expenses.

5.3 Notices. All notices, approvals, consents, requests and other communications that any party is required or elects to give hereunder shall be

in writing and shall be deemed to have been given (a) upon personal delivery thereof, including by appropriate courier service, five (5) days after delivery to the courier or, if earlier, upon delivery against a signed receipt therefor or (b) upon transmission by facsimile or telecopier, which transmission is confirmed, in either case addressed to the party to be notified at the address set forth below or at such other address as such party shall have notified the other parties hereto, by notice given in conformity with this Section 5.3:

(a) If to SFI:

Clarus Corporation
3950 Johns Creek Court
Suwanee, Georgia 30024
Attention: Stephen P. Jeffery, President/CEO
Facsimile: (770) 390-3993

with a copy to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.
Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

(b) If to Shareholder:
At the address set forth below Shareholder's signature on the signature page hereto

with a copy to:
Counsel for Shareholder, if any, at the address shown on the signature page hereto

Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 5.3.

5.4 Severability. Any term or provision of this Voting Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Voting Agreement or affecting the validity or enforceability of any of the terms or provisions of this Voting Agreement in any other jurisdiction. If any provision of this Voting Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

5.5 Entire Agreement. This Voting Agreement and any documents delivered by the parties in connection herewith constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings between the parties with respect thereto.

5.6 Amendment and Waivers. Any term or provision of this Voting Agreement may be amended, and the observance of any term of this Voting Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a writing signed by the parties to be bound thereby.

The waiver by a party of any breach hereof or default in the performance hereof will not be deemed to constitute a waiver of any other default or any succeeding breach or default.

5.7 Assignment, Binding Effect. Except as provided herein, neither this Voting Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party. Subject to the preceding sentence, this Voting Agreement shall be binding upon and shall inure

to the benefit of (i) Shareholder and his heirs, successor and assigns and (ii) SFI and its successors and assigns.

5.8 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Voting Agreement was not performed in accordance with its specific terms or are otherwise breached. It is accordingly agreed that SFI shall be entitled to an injunction or injunctions to prevent breaches of this Voting Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which SFI is entitled at law or in equity.

5.9 Other Agreements. Nothing in this Voting Agreement shall limit any of the rights or remedies of SFI or any of the obligations of Shareholder under any Affiliate Agreement between SFI and Shareholder or any other agreement.

5.10 Governing Law. The internal laws of the State of Delaware (irrespective of its choice of law principles) will govern the validity of this Voting Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

5.11 Counterparts. This Voting Agreement may be executed in counterparts, each of which will be an original as regards any party whose name appears thereon and all of which together will constitute one and the same agreement. This Voting Agreement will become binding when one or more counterparts hereof, individually or taken together, bear the signatures of all parties reflected hereon as signatories. Facsimile copies with signatories of the parties to this Voting Agreement, or their duly authorized representatives, shall be legally binding and enforceable. All such facsimile copies are declared as originals and, accordingly, are admissible in any jurisdiction or tribunal having jurisdiction over any matter relating to this Voting Agreement.

5.12 Construction. The language hereof will not be construed for or against either party. A reference to a section or exhibit will mean a section in, or an exhibit to, this Voting Agreement, unless otherwise explicitly set forth. The titles and headings in this Voting Agreement are for reference purposes only and will not in any manner limit the construction of this Voting Agreement. For the purposes of such construction, this Voting Agreement will be considered as a whole.

IN WITNESS WHEREOF, SFI and Shareholder have caused this Voting Agreement to be executed as of the date first written above.

CLARUS CORPORATION

By: /s/

Stephen P. Jeffery, President and CEO

SHAREHOLDER:

EGGHEAD

By: /s/

Name:

Title:

Address:

Address of Shareholder's counsel, if any, for copy of Notices under Section 5.3:

Facsimile: ( )
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Shares of Elekom Common Stock owned as of the date hereof: 50

Shares of Elekom Series A Preferred Stock owned as of the date hereof: 917,229

Shares of Elekom Series B Preferred Stock owned as of the date hereof: 611,486

EXHIBIT A
FORM OF IRREVOCABLE PROXY

The undersigned shareholder of Elekom Corporation, a Washington corporation ("Elekom"), hereby irrevocably (to the fullest extent permitted by law) appoints and constitutes Stephen P. Jeffery the attorney and proxy of the undersigned with full power of substitution and resubstitution, to the full extent of the undersigned's rights with respect to (i) the shares of capital stock of Elekom owned by the undersigned as of the date of this proxy, which shares are specified below, and (ii) any and all other shares of capital stock of Elekom which the undersigned may acquire after the date hereof. (The shares of the capital stock of Elekom referred to in clauses (i) and (ii) of the immediately preceding sentence are collectively referred to as the "Shares"). Upon the execution hereof, all prior proxies given by the undersigned with respect to any of the Shares are hereby revoked, and no subsequent proxies will be given with respect to any of the Shares.

This proxy is irrevocable, is coupled with an interest and is granted in connection with the Voting Agreement, dated as of the date hereof, between SQL Financials International, Inc. ("SFI") and the undersigned (the "Voting Agreement"), and is granted in consideration of SFI entering into the Agreement and Plan of Reorganization, dated as of the date hereof, between SFI and Elekom (the "Merger Agreement"). Capitalized terms used but not otherwise defined in this proxy have the meanings ascribed to such terms in the Voting Agreement.

The attorney and proxy named above are hereby empowered, and shall exercise this proxy, to vote the Shares at any time prior to the Expiration Date at any meeting of the shareholders of Elekom, however called, or in any written action by consent of shareholders of Elekom:

(i) in favor of the Merger, the execution and delivery by Elekom of the Merger Agreement and the adoption and approval of the terms thereof and in favor of each of the other actions contemplated by the Merger Agreement and any action required in furtherance hereof and thereof; and

(ii) against any Acquisition Proposal (other than the Merger) and against any action or agreement that would result in a breach of any covenant or obligation of Elekom in the Merger Agreement. The undersigned Shareholder may vote the Shares on all other matters.

This proxy shall be binding upon the heirs, successors and assigns of

the undersigned (including any transferee of any of the Shares).

Dated:_____, 1998 _____

EGGHEAD

Number of Shares of Elekom
Common Stock owned as of
the date of this Proxy: 50

Number of Shares of Elekom
Series A Preferred Stock owned
as of the date of this Proxy: 917,229

Number of Shares of Elekom
Series B Preferred Stock owned
as of the date of this Proxy: 611,486

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of _____, 1998, is entered into by and between CLARUS CORPORATION, a Delaware corporation, formerly known as SQL Financials International, Inc. (the "Company"), and each of the parties listed under "Shareholders" on the signature page hereto (each signatory individually a "Shareholder" and collectively the "Shareholders"), each with offices at the addresses listed under such Shareholder's name on Schedule I hereto.

RECITALS:

The Company and Elekom Corporation, a Washington corporation ("Elekom"), have entered into an Agreement and Plan of Reorganization dated August 31, 1998 (the "Reorganization Agreement"), that provides for the merger of Elekom into a wholly owned subsidiary of the Company in a forward triangular merger, and for all of the outstanding capital stock of Elekom to be converted, in part, into _____ shares of common stock of the Company, $.0001 par value (the "Common Stock"), and in connection therewith the Shareholders are to receive certain registration rights in respect of the Common Stock. The execution of this Agreement is a condition to the Closing under the Reorganization Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual terms and provisions of this Agreement, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the following respective meanings:

(a) "Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act;

(b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute enacted hereafter, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time;

(c) "Holder" shall mean a Shareholder if such Shareholder holds Registrable Securities and any other person holding Registrable Securities to whom these registration rights have been transferred pursuant to Section 16 of this Agreement; provided however, that any person who acquires any of the Registrable Securities in a distribution pursuant to a sale under Rule 144 under the Securities Act shall not be considered a Holder.

(d) The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act and the declaration or ordering of effectiveness of such Registration Statement by the Commission;

(e) "Registration Expenses" shall mean all expenses (except for "Selling Expenses" as defined below) incurred by the Company in complying with Section 2 of this Agreement, including, without limitation, all registration and filing fees, printing expenses and reasonable fees and disbursements of counsel for the Company and, subject to Section 3, the reasonable fees and disbursements of one counsel to the selling shareholders.

(f) "Registrable Securities" shall mean (i) shares of Common Stock issued pursuant to the Reorganization Agreement, and (ii) any Common Stock

issued upon any stock split, stock dividend or other distribution with respect to, or in exchange or in replacement of, the foregoing;

(g) "Registration Statement" shall mean a registration statement on Form S-1 or Form S-3 filed by the Company with the Commission for a public offering and sale of securities of the Company;

(h) "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute enacted hereafter, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time;

(i) "Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of shares of Common Stock pursuant to Section 2 and all fees and disbursements of counsel for the Holders not included in Registration Expenses; and

(j) All other capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Reorganization Agreement.

2. Piggyback Registrations.

(a) If at any time or from time to time prior to the second anniversary of the date hereof the Company shall determine to register any of its Common Stock, for its own account or for the account of any of its shareholders (other than the Holders), other than a registration relating solely to employee benefit plans, or a registration relating solely to a Commission Rule 145 transaction or any rule adopted by the Commission in substitution therefor or in amendment thereto, or a registration on any registration form which does not include substantially the same information as would be required to be included in a Registration Statement covering the sale of Registrable Securities, the Company will:

(i) promptly give to each Holder written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable Blue Sky or other state securities laws); and

(ii) include in such registration (and any related qualification under Blue Sky laws or other compliance), and in any underwriting involved therein, all of the Registrable Securities specified in a written request or requests received by the Company within twenty (20) days after the giving of such written notice by the Company, by any Holder or Holders, subject to the limitations set forth in Section 2(b).

(b) If the registration of which the Company gives notice is for a registered public offering involving an underwritten public offering, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 2(a)(i). In such event the right of any Holder to registration pursuant to this Section 2 shall be conditioned upon such Holder's participation in such underwritten public offering and the inclusion of such Holder's Registrable Securities in the underwritten public offering to the extent provided herein. All Holders proposing to distribute their securities through such underwritten public offering shall (together with the Company and the other Holders distributing their securities through such underwritten public offering) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwritten public offering by the Company. Notwithstanding any other provision of this Section 2, if the underwriter determines that marketing factors require a limitation of the number of shares to be sold, all shares to be sold by the Company shall be included in such offering before any Registrable Securities are so included, and further, the underwriter otherwise may limit the number of Registrable Securities to be included in the registration and underwritten public offering. The Company shall so advise all Holders (except those Holders who have not elected to distribute any of their Registrable Securities through such underwritten public offering) and the number of shares of Registrable Securities, securities of the Company that are "Registrable Securities" as defined in that certain Stock

Purchase Agreement, dated September 26, 1997, by and among SQL Financials International, Inc. and the parties listed in Schedule A thereto (the "Purchase Agreement") (the "Preferred Stock") and Management Stock (as defined in the Purchase Agreement) that may be included in the Registration and underwritten public offering shall be allocated among such Holders and holders of Preferred Stock and Management Stock in proportion, as nearly as practicable, to the respective amounts of Registrable Securities and shares of Preferred Stock and Management Stock owned by them at the time of filing the Registration Statement. No Registrable Securities excluded from the underwritten public offering by reason of the underwriter's marketing limitation shall be included in such registration. If the terms of any such underwritten public offering differ materially from the terms (including range of offering price) previously communicated to any Holder, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, which notice, to be effective, must be received by the Company at least two (2) business days before the anticipated effective date of the Registration Statement. The Registrable Securities and/or other securities so withdrawn from such underwritten public offering shall also be withdrawn from such registration; provided, however, that
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if by the withdrawal of such Registrable Securities a greater number of Registrable Securities held by other selling Holders may be included in such registration

(up to the maximum of any limitation imposed by the underwriters) then the Company shall include in such registration in place of such withdrawn Registrable Securities such additional Registrable Securities held by other selling Holders whose Registrable Securities were excluded pursuant to limitation by the underwriter pursuant to this Section 2(b) in the same proportion as such Registrable Securities were excluded pursuant to such underwriter limitation (with no more Registrable Securities being so included than were withdrawn). In the event that the contemplated sale does not involve an underwritten public offering and a determination that the inclusion of the Registrable Securities adversely affects the marketing of the shares shall be made by the Board of Directors of the Company in its good faith discretion, then no Registrable Securities are required hereby to be included in the contemplated sale.

(c) The Company may at any time withdraw or abandon any Registration Statement which triggers the provisions of this Section 2 without any liability to the Holders.

3. Expenses of Registration. All Registration Expenses incurred in
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connection with any registration, qualification and compliance pursuant to Section 2 shall be borne by the Company. All Selling Expenses incurred in connection with any such registration shall be borne by the selling Holders on a pro rata basis. If, notwithstanding this Agreement, applicable authorities in any state wherein Registrable Securities are to be sold require an allocation of Registration Expenses, each Holder agrees to pay its apportioned share thereof.

4. Registration Procedures. In the case of each registration,
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qualification or compliance effected by the Company pursuant to this Agreement, the Company will keep each Holder advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Company will:

(a) prepare and file with the Commission a Registration Statement with respect to such Registrable Securities, and use its best efforts in good faith to cause such Registration Statement to become and remain effective as provided herein;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and the prospectus included in such Registration Statement as may be necessary or advisable to comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement or as may be necessary to keep such Registration Statement effective and current, but for no longer than nine (9) months subsequent to the effective date of such registration;

(c) furnish to each seller of Registrable Securities such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in such Registration Statement (including each preliminary prospectus), and such other documents as any such seller may reasonably request in order to facilitate the disposition of the Registrable Securities held by such seller;

(d) enter into such customary agreements and take all such other action in connection therewith as any Holder may reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(e) use its best efforts in good faith to register and qualify the Registrable Securities covered by such Registration Statement under such securities or Blue Sky laws of such jurisdictions as any selling Holder on behalf of itself or any other selling Holder shall reasonably request and do any and all such other acts and things as may be reasonably necessary or advisable to enable such selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities held by such selling Holder; provided, however that the Company shall not be required in connection therewith to qualify to do business or file a general consent to service of process in any such jurisdiction; and

(f) furnish to each prospective selling Holder a signed counterpart, addressed to the prospective selling Holders, of (i) an opinion of counsel for the Company, dated the effective date of the Registration Statement, and, to the extent available to selling stockholders from the independent auditors of the Company, (ii) a "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included in the Registration Statement, covering substantially the same matters with respect to the Registration Statement (and the prospectus included therein) and (in the case of the "comfort" letter) with respect to events subsequent to the date of the financial statements, as are customarily covered (at the time of such registration) in opinions of issuer's counsel and in "comfort" letters delivered to the underwriters in underwritten public offerings of securities; provided, that the requirements of this paragraph (f) shall apply only to Holders which are including at least 50,000 shares (such number to be appropriately adjusted in the event of stock splits, stock combinations, stock dividends or similar recapitalizations) of Registrable Securities in such registration.

Notwithstanding the foregoing provisions of this Section 4, (1) the Holders of Registrable Securities included in any Registration Statement will not (until further notice) effect sales thereof after receipt of telegraphic or written notice from the Company to suspend sales to permit the Company to correct or update such Registration Statement or prospectus; but the obligations of the Company with respect to maintaining any Registration Statement current and effective shall be extended by a period of days equal to the period such suspension is in effect; and (2) at the end of any period during which the Company is obligated to keep any Registration Statement current and effective as provided by this Section 4 (and any extensions thereof required by the preceding paragraph (1) of this Section 4), the Holders of Registrable Securities included in such Registration Statement shall discontinue sales of shares pursuant to such Registration Statement upon notice from the Company of its intention to remove from registration the shares covered by such Registration Statement which remain unsold, and such Holders shall notify the Company of the number of shares registered which remain unsold promptly after receipt of such notice from the Company.

5. Indemnification.

(a) The Company will indemnify each Holder, each of the officers, directors and partners of such Holder, and each person controlling such Holder, if Registrable Securities held by such Holder are included in the securities with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter of such Registrable Securities, if any, and each person who controls such underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on (i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other similar

document (including any related Registration Statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, or (ii) any violation by the Company of any federal, state or common law rule or regulation applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse such Holder, each of the officers, directors and partners of such Holder, and each person controlling such Holder, such underwriter and each person who controls such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, provided that the Company will not be liable to a Holder or underwriter in any such case to the extent that such claim, loss, damage, liability or expense arises out of or is based on (i) any untrue statement or omission made in reliance upon and in conformance with written information furnished to the Company by or on behalf of such Holder or underwriter and which was furnished specifically for the purpose of being used therein or (ii) a failure by any Holder to deliver a final prospectus to its transferee if any material change has been made to the preliminary prospectus.

(b) Each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such registration, qualification or compliance, each person who controls the Company or such underwriter within the meaning of the Securities Act, and each other Holder, each of the officers, directors and partners of each such other Holder and each person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other similar document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and will reimburse the Company, such other Holders, such directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement,

prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Holder and which was furnished specifically for the purpose of being used therein; provided, however, that the liability of such Holder under this Section 5(b) shall be limited to an amount equal to the proceeds to such Holder of Registrable Securities sold as contemplated herein.

(c) Each party entitled to indemnification under this Section 5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party, at such party's expense, to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense (except for the payment of fees, costs and expenses provided for below), and provided further that the failure of any

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Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, unless such failure to give notice shall materially adversely affect the Indemnifying Party in the defense of any such claim or any such litigation. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Notwithstanding the election of the

Indemnifying Party to assume the defense of any such claim or litigation, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense of such claim or litigation, and the Indemnifying Party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of the counsel chosen by the Indemnifying Party to represent the Indemnified Party would present such counsel with a conflict of interest; (ii) the defendants in, or targets of, any such claim or litigation include both the Indemnified Party and the Indemnifying Party and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it or to other Indemnified Parties which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party); (iii) in the exercise of the Indemnified Party's reasonable judgment, the Indemnifying Party shall not have employed satisfactory counsel to represent the Indemnified Party within a reasonable time after notice of the institution of such claim or litigation; or (iv) the Indemnifying Party shall authorize the Indemnified Party to employ separate counsel at the expense of the Indemnifying Party. The Indemnified Party shall not settle any such claim or litigation without the consent of the Indemnifying Party.

(d) Notwithstanding the foregoing provisions of this Section 5, if a registration is subject to a firm commitment underwriting, neither the Company nor a Holder including Registrable Securities in the registration shall be required to indemnify any other party to a greater extent than the obligation of the Company or such Holder to the underwriters pursuant to the underwriting agreement pertaining to such registration.

6. Information by Holder. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company in writing such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

7. Term. The obligations of the Company under Section 2 of this Agreement shall terminate on the second anniversary of the date hereof.

8. Market "Stand-off" Agreement. The Holders, if requested by the Company and an underwriter of the Company's securities, shall agree not to sell or otherwise transfer or dispose of any common stock (or other securities) of the Company (other than securities of the Company acquired in the open market) held by Holders during the 30-day periods following the effective date of a Registration Statement of the Company filed under the Securities Act provided, that such 30-day periods shall only apply to a Registration Statement filed with respect to an underwritten public offering by the Company; and provided, further, that all Holders holding more than two percent of the outstanding common stock and all officers and directors of the Company enter into similar agreements. Such agreement shall be in writing in form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or securities) subject to the foregoing restriction until the end of such 30-day periods.

9. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority of the outstanding Registrable Securities, voting together as a single class.

10. Notices. All notices, demands and other communications made hereunder shall be in writing and shall be given either by personal delivery, by nationally recognized overnight courier (with charges prepaid) or by telecopy

(with telephone confirmation), and shall be deemed to have been given or made when personally delivered, the day following the date deposited with such overnight courier service or when transmitted to telecopy machine and confirmed by telephone, addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to a Shareholder:

To each Shareholder at the address and/or fax number set forth on Schedule I of this Agreement, and with copies to counsel, if any, indicated on Schedule I.

If to the Company:

Clarus Corporation, formerly known as
SQL Financials International, Inc.
3950 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
Attention: Stephen P. Jeffery, President and CEO
Facsimile: (770) 291-8573

With a copy (which shall not constitute notice) to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.
Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

11. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

12. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

14. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

15. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the

Common Stock. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

16. Transfer or Assignment. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and

their successors and permitted assigns. The rights granted to the Shareholders by the Company under this Agreement may not be transferred or assigned to any transferee or assignee of any Registrable Securities except that such rights may be transferred or assigned to transferees who are affiliates of the Shareholders, so long as such transferee holds at least 1% of the outstanding capital stock of the Company and agrees in writing with the Company to hold such stock subject to the provisions of this Agreement.

17. Parties Benefitted. Nothing in this Agreement, express or implied, is intended to confer upon any third party any rights, remedies, obligations or liabilities.

IN WITNESS WHEREOF, each of the parties hereto has caused this Registration Rights Agreement to be signed by its duly authorized officer as of the date first above written.

CLARUS CORPORATION, F/K/A
SQL FINANCIALS INTERNATIONAL, INC

By: ----------
Name: ----------
Title: ----------

SHAREHOLDERS:

NORMAN BEHAR

EGGHEAD.COM, INC.

By: ----------
Name: ----------
Title: ----------

HUMMER WINBLAD VENTURE PARTNERS

By: ----------
Name: ----------
Title: ----------

HUMMER WINBLAD TECHNOLOGIES FUND

By: ----------
Name: ----------
Title: ----------

OLYMPIC VENTURE PARTNERS IV

By:

Name:

Title:

OVP IV ENTREPRENEURS FUND

By:

Name:

Title:

JON LAZARUS

SCHEDULE I

SHAREHOLDERS:

Norman Behar
Egghead.Com, Inc.
Hummer Winblad Venture Partners
Hummer Winblad Technologies Fund
Olympic Venture Partners IV
OVP IV Entrepreneurs Fund
Jon Lazarus

EXHIBIT 4.5

ESCROW AND INDEMNITY AGREEMENT

THIS ESCROW AND INDEMNITY AGREEMENT (the "Agreement") is made this ____ day of _____, 1998, by and among Clarus Corporation, formerly known as SQL Financials International, Inc., a Delaware corporation ("SFI"), Elekom Corporation ("Elekom"), the undersigned former holders of preferred stock of Elekom as shown on Schedule 1 hereto (collectively the "Preferred Shareholders" and individually a "Preferred Shareholder"), and NationsBank, N.A. (the "Escrow Agent").

W I T N E S S E T H :

WHEREAS, SFI has entered into an Agreement and Plan of Reorganization dated as of August 31, 1998 (the "Merger Agreement") with Elekom Corporation, a Washington corporation ("Elekom") pursuant to which SFI has acquired all of the stock and going business of Elekom pursuant to a forward triangular merger (the "Merger"); and

WHEREAS, pursuant to the Merger Agreement, Elekom has agreed to place $2.5 million of the cash proceeds of the Merger to its shareholders (the "Shareholders") in an escrow account to secure its obligations under Article IX of the Merger Agreement; and

WHEREAS, the Preferred Shareholders owned shares of preferred stock of Elekom and the Preferred Shareholders acknowledge and agree that the Merger and the payment of the merger consideration to the Preferred Shareholders by SFI is a direct and substantial benefit to the Preferred Shareholders; and

WHEREAS, as a material inducement to SFI to enter into the Merger Agreement and consummate the Merger, Elekom has agreed to cause each of the Preferred Shareholders to enter into this Agreement providing for indemnification of SFI for the obligations of Elekom under the Merger Agreement to the extent such obligations exceed the amount of the Escrow Funds (as defined below); and

NOW, THEREFORE, for and in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged by each party, the parties hereto agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated below:

"Contesting Direction" means a written direction from the representative of the Shareholders appointed pursuant to Section 9 of this Agreement (the "Shareholder Representative"), which direction contests an SFI Direction in whole or in part and specifies the amount contested and the amount, if any, not contested. Each Contesting Direction must

be delivered to the Escrow Agent in the manner set forth in Section 16 hereof, and copies of such direction must be delivered in like manner to SFI.

"Escrow Funds" has the meaning ascribed to such term in Section 2 hereof.

"Escrow Termination Date" means April 30, 2000.

"Estimated Indemnified Amount" means a good-faith estimate by SFI of an Indemnified Amount.

"SFI Direction" means a written direction from SFI specifying that a claim

referred to in Article IX of the Merger Agreement and covered by a particular Notice of Claim has been made, and further specifying the aggregate Indemnified Amount. Each SFI Direction must be delivered to the Escrow Agent in the manner set forth in Section 16 hereof, and copies of such direction must be delivered in like manner to the Shareholder Representative.

"Indemnification Holdback" has the meaning ascribed to such term in Section 4.2 hereof.

"Indemnified Amount," with respect to any Notice of Claim, means the aggregate amount of indemnification determined to be due to SFI pursuant to Article IX of the Merger Agreement.

"Joint Direction" means a written direction relating to (i) a Notice of Claim, (ii) the investment of the Escrow Funds, or (iii) removal of the Escrow Agent in accordance with Section 12 hereof, in each case executed by SFI and the Shareholder Representative, and delivered to the Escrow Agent in the manner set forth in Section 16 hereof.

"Notice of Claim" means a written notice from SFI delivered to the Escrow Agent and the Shareholder Representative in the manner set forth in Section 16 hereof on or before the Escrow Termination Date, specifying that facts exist which may give rise to an indemnifiable claim under Article IX of the Merger Agreement, also specifying the Estimated Indemnified Amount and describing in reasonable detail the nature of the matter or matters covered by the Notice of Claim and the Estimated Indemnified Amount.

2. ESTABLISHMENT OF ESCROW. On the date hereof, concurrently with the closing of the Merger, SFI has deposited with Escrow Agent the sum of US Two Million Five Hundred Thousand Dollars ($2,500,000.00) in immediately available funds (the "Escrow Funds"), which sum Escrow Agent hereby accepts and agrees to hold for Shareholders in escrow subject to the terms of this Escrow Agreement (the "Escrow"). Escrow Agent hereby confirms to SFI, Shareholders and the Preferred Shareholders receipt by Escrow Agent of the Escrow Funds. The Escrow Funds represent a portion of the merger consideration paid to the Shareholders in the Merger and has been withheld from the cash consideration received by such Shareholders pursuant to the terms of Section 1.5

of the Merger Agreement in order to secure the obligations of Elekom pursuant to Article IX of the Merger Agreement.

3. INVESTMENT OF THE FUNDS. During the period specified in this Agreement, the Escrow Agent shall hold the Escrow Funds (i) in an interest-bearing account or other investment vehicle specified by Elekom, with a maturity no greater than thirty (30) days and which is backed by the United States Government or such financial institutions insured by the Federal Deposit Insurance Corporation, having a net worth of not less than US One Hundred Million Dollars ($100,000,000) or (ii) in such other account or investment as may be specified in a Joint Direction. The payments of interest on such account and other distributions thereon shall be added to and become a part of the Escrow Funds. Any and all interest which may be earned and received on the Escrow Funds shall be for the account of the Shareholders and shall not constitute part of the Escrow Funds.

4. ADMINISTRATION OF ESCROW FUNDS

4.1 CLAIMS AGAINST ESCROW FUNDS

If, on or before the Escrow Termination Date, the Escrow Agent receives a Notice of Claim from SFI, then, in each instance in which such a Notice of Claim is received, the Escrow Agent shall, from and after its receipt of that Notice of Claim, hold the portion of the Escrow Funds equal to the Estimated Indemnified Amount or the remainder of the Escrow Funds should it be less than the Estimated Indemnified Amount (the "Indemnification Holdback") until such time (whether before or after the Escrow Termination Date) as the conditions of Section 4.2 hereof have been complied with as to such Notice of Claim.

4.2 DISTRIBUTIONS

4.2.1 DISTRIBUTIONS ON JOINT DIRECTION

If at any time, or from time to time, prior to, or on the Escrow Termination Date, the Escrow Agent receives a Joint Direction regarding a Notice of Claim, the Escrow Agent shall comply with such Joint Direction.

4.2.2 DISTRIBUTION ON SFI DIRECTION

(a) If at any time, or from time to time, prior to, or on the Escrow Termination Date, the Escrow Agent receives an SFI Direction, and if the Escrow Agent does not within 30 days after the date of its receipt of that SFI Direction receive a related Contesting Direction, then the Escrow Agent shall, within 3 business days after such 30th day and after confirmation with SFI of the amount, pay to SFI the Indemnified Amount, as specified in the SFI Direction, or the remainder of the Escrow Funds should it be less than the Indemnified Amount.

(b) If the Escrow Agent does receive a Contesting Direction within such 30-day period, then it shall (i) within 10 days of the receipt of such Contesting Notice, distribute to SFI such portion of the Indemnified Amount which is not disputed in the Contesting Direction (or the remainder of the Escrow Funds should it be less than such undisputed portion of the Indemnified Amount) and (ii) continue to hold any Indemnification Holdback amount necessary to cover any disputed portion of the Indemnified Amount until such time as the Escrow Agent receives either a Joint Direction, or a notice from SFI or the Shareholder Representative directing the Escrow Agent with respect to the disbursement, release or any other disposition of the amount of the Indemnification Holdback accompanied by a copy of the final order, judgment or decree from a court of competent jurisdiction with respect to such claim, and the Escrow Agent has received an opinion of legal counsel (the reasonable fees and cost for which shall be an additional Loss hereunder) acceptable to the Escrow Agent that as to such order, judgment or decree all rights of appeal have expired or been waived. Within 5 days of the receipt by the Escrow Agent of such Joint Direction or such notice and legal opinion contemplated by the immediately preceding sentence, the Escrow Agent shall distribute to SFI or the Shareholder Representative (as specified in such Joint Direction or such notice) the Indemnified Amount specified in such Joint Direction or the amount contemplated by such notice, as the case may be, or the remainder of the Escrow Funds should it be less.

4.2.3 DISTRIBUTIONS ON ESCROW TERMINATION DATE

On the Escrow Termination Date, without further notice or request, the Escrow Agent shall distribute to the Shareholder Representative on behalf of the Shareholders of Elekom in the manner set forth in Section 4.3 hereof any amounts remaining in the Escrow Funds which are not subject to Indemnification Holdback. Amounts remaining in the Escrow Funds which are subject to Indemnification Holdback will be distributed when the conditions of Section 4.2.2 hereof are satisfied.

4.4 DISTRIBUTIONS TO THE SHAREHOLDER REPRESENTATIVE AND SFI

In the event that the Escrow Agent is required to distribute any part of the Escrow Funds to the Shareholder Representative or SFI, the Escrow Agent will make payment, by issuance of its check, delivered by first class or overnight mail address set forth in Section 16 hereof, representing an amount equal to the total amount then to be distributed from the Escrow Funds.

5. INDEMNIFICATION.

INDEMNIFICATION. Subject to the requirements, limitations, and exclusions
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and further provisions in Article IX of the Merger Agreement and this Agreement, Elekom shall to the extent of the Escrow Funds, and the Preferred Shareholders listed on Schedule 9.1 to the Merger Agreement (the Company, together with the
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Preferred Shareholders are the "Indemnitors") shall severally in proportion to
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the percentages set forth on Schedule 9.1 to

the Merger Agreement, indemnify, defend and hold harmless SFI and its officers, directors and affiliates (the "SFI Indemnitees") from, against, and with respect
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to any and all action or cause of action, loss, damage, claim, obligation, liability, penalty, fine, cost and expense (including without limitation reasonable attorneys' and consultants' fees and costs and expenses incurred in investigating, preparing, defending against or prosecuting any litigation, claim, proceeding, demand or request for action by any governmental or administrative entity), of any kind or character (a "Loss")arising out of or in
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connection with any of the following:

(a) any breach of any of the representations or warranties of Elekom contained in or made pursuant to the Merger Agreement or any of the representations and warranties of the respective Preferred Shareholder in any other Elekom Agreement (defined in the Merger Agreement);

(b) any failure by Elekom or the respective Preferred Shareholder to perform or observe, or to have performed or observed, in full, any covenant, agreement or condition to be performed or observed by it pursuant to the Merger Agreement or any Elekom Agreement;

(c) any breach by Elekom of any representation set forth in Section 2.14 in the Merger Agreement (an "IP Claim");

(d) any claim by a Shareholder relating to the allocation by Elekom of the cash and stock consideration to be received by each Shareholder in connection with the Merger;

(e) any amount that shall have been paid by SFI to Shareholders in respect of shares of Elekom with respect to which dissenters' rights have been perfected that shall be in excess of the amount of the value, as of the closing date of the Merger, of the consideration such Shareholders would have received for such shares in the Merger if they had not exercised dissenters' rights plus any fees and expenses incurred by SFI Indemnitees in connection with defense of such dissenters' rights claim.

Notwithstanding anything herein to the contrary, the liability of the Preferred Shareholders hereunder will not be greater than the liability of Elekom under Article IX of the Merger Agreement.

6. NOTICE OF CLAIM. Any SFI Indemnitee seeking to be indemnified pursuant
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to Section 5 hereof shall, within fifteen (15) days following discovery of a Loss (or 5 days if the SFI Indemnitee has been served with a lawsuit or other proceeding), notify the Shareholder Representative with a Notice of Claim. Each SFI Indemnitee will serve such Notice of Claim prior to initiating any court action seeking to enforce any such right to indemnification. The SFI Indemnitee shall provide to the Shareholder Representative as promptly as practicable thereafter all information and documentation reasonably requested by the Shareholder

Representative to verify the claim for indemnification asserted. Following receipt of such notice (i) the Preferred Shareholders will then have the opportunity to discuss with the SFI Indemnitees the steps the Preferred Shareholders plan to take to mitigate any alleged Loss (defined in Section 5) SFI may have suffered and (ii) prior to SFI initiating such court action, the Preferred Shareholders will be given a reasonable period of time (not to exceed 30 days following receipt of such notice without the written agreement of SFI to cure completely the events giving rise to such alleged Losses (if such events are capable of being cured completely); provided, however, that Elekom and the
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Preferred Shareholders shall remain liable, to the extent set forth in the Merger Agreement, for Losses actually incurred. The procedures set forth in Section 7 shall govern Third-Party Claims.

7. DEFENSE. If a claim by a third party (a "Third Party Claim") is made
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against an SFI Indemnitee arising out of a matter for which the SFI Indemnitee is entitled to be indemnified pursuant to Section 5 hereof, the Preferred Shareholders may elect to assume the defense or the prosecution thereof. The Preferred Shareholders shall have 30 days (which shall be shortened to 15 days in the case of a commenced lawsuit or proceeding) after receipt of a Notice of Claim to undertake to conduct and control, through counsel of their own choosing as designated by the Shareholder Representative and at their sole risk and expense, the good faith settlement or defense of such claim, and the SFI Indemnitee(s) shall cooperate fully with the Preferred Shareholders in connection therewith; provided that the SFI Indemnitee(s) shall be entitled to

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participate in such settlement or defense through counsel chosen by it, provided that the fees and expenses of such counsel shall be borne by the SFI Indemnitee(s); and provided further that the Preferred Shareholders can only assume the defense if (a) the amount of the Third Party Claim does not exceed the amount of the Escrow Funds held hereunder or (b) the Preferred Shareholders provide commercially reasonable evidence that the Preferred Shareholders will have sufficient financial resources to defend the claim and satisfy their indemnification obligations. During the interim the SFI Indemnitee shall use its best efforts to take all action (not including settlement) reasonably necessary to protect against further damage or loss with respect to the alleged Loss. The Preferred Shareholders shall obtain the written consent of the SFI Indemnitee prior to ceasing to defend, settling or otherwise disposing of such claim if as a result thereof the SFI Indemnitee would become subject to injunctive, declaratory or other equitable relief or the business of the SFI Indemnitee would be materially adversely affected in any manner. Whether or not the Preferred Shareholders choose so to defend or prosecute such claim, all the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony and shall attend such conferences, discovery proceedings and trials as may be reasonably requested in connection therewith. Such cooperation shall include the retention and the provision of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information. The Preferred Shareholders shall not be liable for any settlement of any such claim effected without their prior written consent, which shall not be unreasonably withheld. However, if the Preferred Shareholders, fail to defend such claim within the time period necessary to preserve the rights and defense of the SFI

Indemnitee, the SFI Indemnitee will have the right to undertake the defense, compromise or settlement of such claim on behalf of and for the account and risk of the Preferred Shareholders, subject to the right of the Preferred Shareholders to assume the defense of such claim at any time within the 30-day time period after receiving Notice of Claim.

If a claim is based on any suit or proceeding by a third party for infringement which gives rise to an IP Claim (defined in Section 5) resulting in SFI's use of the Software (defined in Section 2.14 of the Merger Agreement) being enjoined or otherwise restricted, the Preferred Shareholders, if the Preferred Shareholders elect through the Shareholder Representative to assume defense of such proceeding after receiving notice hereunder, shall be entitled at their sole expense to do any of the following: (i) procure for SFI, Clarus CSA, Inc. and their licensees the unrestricted right to continue using the Software, (ii) modify the Software so that it becomes noninfringing, (iii) settle the third party's infringement claim in a manner that gives SFI, Clarus CSA, Inc. and their licensees the unrestricted rights to the software being enjoined or otherwise restricted, or (iv) pay the indemnified party's claim as provided in this Agreement, provided that any settlement under this sentence shall require SFI's prior written approval which shall not be unreasonably withheld. SFI shall comply with any settlement or court order made in connection with such proceeding in the foregoing sentence provided that such compliance by SFI shall not limit the Preferred Shareholder's indemnification obligations hereunder. No Preferred Shareholder shall be liable for any settlement of any such claim effected without its prior written consent, which shall not be unreasonably withheld. Before any claim may be brought against any of the Preferred Shareholders hereunder, or under the Merger Agreement, all the Escrow Funds shall be used first to pay any claims made under Article IX of the Merger Agreement or this Agreement, and SFI hereby authorizes the Preferred Shareholders to settle such claims without consent of SFI to the extent the Escrow Funds will fully satisfy such claim. Preferred Shareholders may also settle any claim for which they are liable hereunder without consent of SFI so

long as the payment or performance does not either (y) exhaust the Escrow Funds or (y) exceed the maximum liability amounts set forth below. Settlements requiring performance or payment in excess of the maximum liability amounts shall require SFI's prior written consent.

8. LIMITATIONS.

The obligations of Elekom or any Preferred Shareholder to indemnify any SFI Indemnitees pursuant to Article IX of the Merger Agreement shall accrue only after and to the extent the aggregate dollar amount of Losses incurred by an Indemnified Party for all matters indemnifiable thereunder exceeds One Hundred Thousand Dollars (US $100,000) (the "Basket"), and then Indemnitors shall be
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only liable for such Losses in excess of $100,000. In addition, no single Loss in an amount of less than $10,000 may be applied to the Basket until such threshold amount is reached, and thereafter, single claims of less than $10,000 must be aggregated so that no claim is made for an amount of less than $10,000 singly or in the aggregate. The obligations of the Indemnitors to indemnify the SFI Indemnitees under this Agreement shall not exceed the $2,500,000 placed in escrow

hereunder for claims for indemnification other than (a) IP Claims, which are addressed below, or (b) claims for indemnification related to a breach of the representations contained in Section 2.1 of the Merger Agreement. Notwithstanding anything in this Agreement to the contrary, the aggregate maximum liability of the Indemnitors, for IP Claims shall not exceed (i) Twelve Million Five Hundred Thousand Dollars ($12,500,000) for any IP Claims plus the remaining amount of the Escrow Funds and no IP Claims may be made after the expiration of the one (1) year period following the Closing Date of the Merger.

This Agreement and Article IX of the Merger Agreement set forth the sole and exclusive remedy of an SFI Indemnitee for breaches of any representation, warranty, or covenant under the Merger Agreement absent fraud or securities law violations.

The maximum liability for claims for breach of the representation and warranty in Section 2.1 in the Merger Agreement is the purchase price (cash paid by SFI to Elekom's Shareholders at closing of the Merger plus the market value of the shares transferred by SFI at closing of the Merger to the Elekom's Shareholders), minus the amount of the cash transferred to SFI from the Escrow Funds pursuant to this Agreement, further reduced by the aggregate amount paid by Elekom and the Preferred Shareholders in connection with all claims for breach of the representations and warranties made under Sections 2.14, 2.19, and 2.23(b) of the Merger Agreement. The maximum liability for claims for breach of the representations or warranties in Sections 2.19, and 2.23(b) of the Merger Agreement is equal to the purchase price (cash paid by SFI to Elekom's shareholders at closing plus the market value of the shares transferred by SFI at Closing to the Elekom's shareholders), minus the amount of the cash transferred to SFI from the Escrow Funds, further reduced by the aggregate amount paid by Elekom and Preferred Shareholders in connection with all claims for breach of the representations and warranties made under Sections 2.1 or 2.14.

Notwithstanding anything in this Agreement to the contrary, no Preferred Shareholders will have any liability for any claim that the Software infringes the rights of a third party to the extent the claims arise from modification of the Software by SFI after the Closing of the Merger or to the extent the infringement claim arises out of a combination of the Software with a program, product or material not transferred to SFI's subsidiary as of the Closing of the Merger. In no event (except as specifically provided below) will any Preferred Shareholder have any liability for indirect, incidental, exemplary, or consequential damages whatsoever (including, without limitation, damages for loss of profits, loss of data or other business information) or cover arising under the Merger Agreement, even if the Preferred Shareholder has been advised of the possibility of such damages; provided, however, that although this sentence excludes claims for the lost profits, it does not limit the liability of any Preferred Shareholder hereunder to an SFI Indemnitee for indirect, incidental, exemplary or consequential damages to the extent such damages, including lost profits, are included in a claim by a third party against the SFI Indemnitee or arise as a result of such third party claim that the Software is infringing, or claim of ownership rights in the Software (excluding Third Party

Software), and to the extent indemnification under the Merger Agreement covers such

third party claims. Notwithstanding the foregoing, an SFI Indemnitee shall have the right to recover for direct out-of-pocket expenses, including its direct, demonstrable internal costs (without overhead) and/or external costs paid by such SFI Indemnitee to remediate any Loss, whether or not such Loss arises in connection with a Third Party Claim.

9. CASAHL LITIGATION. Elekom will endeavor to seek an indemnification of the SFI and the Shareholders from Egghead.com, Inc. ("Egghead.com") covering the claims in the litigation commenced by Elekom and Egghead Software, Inc. (now known as Egghead.com) under Case No. 987331 pending in the Superior Court of California for the County of San Francisco (the "Casahl Litigation"). Before taking any action against the Preferred Shareholders (other than Egghead.com) with respect to any Loss arising from the Casahl Litigation, SFI and Clarus CSA, Inc. each agree to use their reasonable best efforts to enforce the following with respect to the Casahl Litigation:

(a) The Separation Agreement, dated November 10, 1997, between Egghead Software, Inc., now know as Egghead.com, Inc. and Elekom;

(b) Any reaffirmation by Egghead.com of the obligation in the last sentence of Section 4.02(a) of the Separation Agreement (in favor of Elekom, Clarus CSA, Inc. or SFI);

(c) Any other agreement with Egghead.com in which it agrees to defend, indemnify, and hold harmless Elekom, its past, present and future, successor and assigns, officers and directors, common shareholders (specifically excluding past Shareholder Egghead.com and specifically including future common shareholder Parent), the Preferred Shareholders (other than Egghead.com), agents, and employees, to the extent Elekom, Clarus CSA, Inc., or SFI is made a beneficiary of such agreement , from and against any cost, expense, loss, liability whatsoever arising in connection with the Casahl Litigation.

If, after notice to Egghead.com by SFI and Clarus CSA, Inc., Egghead.com fails or refuses to honor its indemnity, or other obligations to Elekom, its past, present and future, successors and assigns, officers and directors, agents, employees, , and, after the Effective Time, SFI, then to the extent Elekom or an SFI Indemnitee suffers a Loss as a result of the Casahl Litigation notwithstanding any of the above, then in such event each of the Preferred Shareholders identified on Schedule 9.6 to the Merger Agreement (other than Egghead.com), severally in proportion which they bear to each other excluding Egghead.com based on the percentage set forth in Schedule 9.6 to the Merger Agreement, agree to defend, indemnify, and hold harmless an SFI Indemnitee from and against any cost, expense, loss or liability resulting from the Casahl Litigation. The indemnity obligations set forth in this Section 9 are in addition to Section 5 and are not subject to the limitations set forth in Section 8. Except as set forth in Section 10(a), payments made hereunder this Section 9 by a Preferred Shareholder shall not be reimbursed from Escrow Funds nor count toward the maximum liability of Elekom or a Preferred Shareholder. In the event that a Preferred Shareholder fails

to pay any amount due hereunder, such amount may be withdrawn from the Escrow Funds by an SFI Indemnitee to the extent of that Preferred Shareholder's proportionate share in the Escrow Funds after giving effect to Section 10(b) of this Agreement.

10. DISBURSEMENTS AT ESCROW TERMINATION DATE.

(a) FEES OR EXPENSES OF PREFERRED SHAREHOLDER. After April 30, 2000, all fees, expenses and costs of any kind (including, without limitation, attorneys' fees and costs) incurred by any Preferred Shareholder in defense of any claim indemnified hereunder shall be reimbursed from the remaining Escrow Funds before any such funds are distributed to Shareholders.

(b) DISTRIBUTIONS ON ACCOUNT OF COMMON SHAREHOLDINGS OF ELEKOM. After making the distributions described in Section 10(a), holders of Elekom's Common Shares as of the date of the Closing of the Merger Agreement will receive a distribution of the proportionate share of the Escrow Funds, which they would have received from the Escrow Funds in the event no Notice of Claim had been asserted by any SFI Indemnitee hereunder asserting a claim to the Escrow Funds.

(c) DISTRIBUTIONS ON ACCOUNT OF PREFERRED SHARELHOLDINGS OF ELEKOM. After making the distributions described in section 10(b), holders of Elekom's Preferred Shares as of the date of the Closing of the Merger Agreement will receive a distribution of the remaining funds in the Escrow Funds in the proportions set forth on Schedule 9.1 to the Merger Agreement.

11. APPOINTMENT OF SHAREHOLDER REPRESENTATIVE. Elekom and the
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Shareholders hereby appoint John Hummer, or his designated successor agreeable to Preferred Shareholders holding more than fifty percent (50%) of the potential liability set forth on Exhibit A, to serve as Shareholder Representative for all purposes pertaining to this Agreement, who shall be authorized to make all decisions and elections of the Shareholders hereunder and agree that the SFI Indemnitees shall be entitled to rely on all actions, decisions, and notice of the Shareholder Representative. The Shareholder Representative has been appointed by Elekom and the Shareholders as their attorney-in-fact, for the giving and receipt on their behalf of all notices, instructions and deliveries and for the taking on their behalf of all other actions under this Agreement and the Merger Agreement, to serve in such capacity until such time as SFI and the Escrow Agent have received joint written notice from all Shareholders that they have appointed a new Shareholders Representative. Accordingly, except as otherwise set forth herein and the Merger Agreement, the Shareholder Representative has unlimited authority and power to act on behalf of the Shareholders with respect to this Agreement and the disposition, settlement or other handling of all claims, rights or obligations arising hereunder, provided such actions by the Shareholder Representative are taken in good faith in the exercise of reasonable judgment. Except as otherwise set forth herein, the Shareholder shall be bound by all actions taken by the Shareholder Representative in connection with this Agreement, and the Escrow Agent,

Elekom and SFI shall be entitled to rely on any action or decision of the Shareholder Representative in accordance herewith. The Shareholder Representative shall be entitled to reimbursement out of the remaining amount of Escrow Funds on the Escrow Termination Date, prior to distribution of such funds, for any reasonable out-of-pocket expenses incurred by the Shareholder Representative in connection with the performance of the representation duties under this Agreement or the Merger Agreement, including, without limitation, legal fees and expenses. No bond shall be required of the Shareholders Representative, and the Shareholders Representative shall not receive compensation for his or her services. The Shareholder Representative shall not be liable for any act done or omitted hereunder as Shareholder Representative while acting in good faith and in the exercise of reasonable judgment. The Shareholders on whose behalf the Escrow Funds were contributed to the Escrow shall severally indemnify the Shareholders Representative and hold the Shareholders Representative harmless against any loss, liability or expense incurred without gross negligence or bad faith on the part of the Shareholders Representative and arising out of or in connection with the acceptance or administration of the Shareholders Representative's duties hereunder, including the reasonable fees and expenses of any legal counsel retained by the Shareholders Representative in connection with his representation of Shareholders.

12. REMEDIES. The SFI Indemnitees need not exhaust any other remedies
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that may be available to them but may proceed directly in accordance with the provisions of this Agreement; provided, that SFI Indemnitees must first pursue recourse to the Escrow Funds before asserting any claim against any Preferred Shareholder based on Article IX of the Merger Agreement. The SFI Indemnitees may institute claims against the Escrow Funds and in satisfaction thereof may recover Escrow Funds, in accordance with the terms of the Merger Agreement and this Agreement, without making any other claims directly against the Shareholders and without rescinding or attempting to rescind the transactions consummated pursuant to the Merger Agreement. The assertion of any single claim for indemnification hereunder will not bar the SFI Indemnitees from asserting

other claims hereunder. All rights and remedies provided to the SFI Indemnitees hereunder shall be cumulative and shall be in addition to any other rights or remedies available to such party at law, in equity, by contract or otherwise.

13. FEES AND EXPENSES. Escrow Agent shall be entitled to its customary fees for its services hereunder, and to reimbursement of all out-of-pocket expenses incurred, including reasonable attorney's fees, which fees and expenses shall be borne by SFI.

14. LIMITED DUTIES; INDEMNIFICATION. Escrow Agent shall have no responsibilities to SFI or the Shareholders except those specifically set forth herein, and, in performing any of its duties under this Agreement, or upon the claimed failure to perform its duties hereunder, the Escrow Agent shall not be liable for any acts taken or omitted to be taken by it except for its own gross negligence or willful misconduct. Accordingly, the Escrow Agent shall be entitled to rely conclusively on any notice, authorization or other document delivered to it hereunder and believed by it to be genuine, and may, at its

discretion, obtain the advice of counsel with respect to any matter relating hereto and shall not incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of its counsel, or (ii) any action taken or omitted to be taken in reliance upon any such notice, authorization or other document believed to be genuine. Escrow Agent shall not be under any obligation to institute legal proceedings of any kind with respect hereto, and SFI and the Preferred Shareholders hereby jointly and severally agree to hold Escrow Agent harmless in respect of any claim, suit or proceeding based upon this Agreement or any act taken or not taken by Escrow Agent hereunder, other than with respect to Escrow Agent's gross negligence or willful misconduct. Provided, however, in the event of any dispute regarding the proper distribution of the Escrow Funds, Escrow Agent shall be entitled to file an interpleader action to tender the Escrow Funds into the registry or custody of any court of competent jurisdiction, whereupon the Escrow Agent shall be discharged from any further duty hereunder. The provisions of this Section shall survive any resignation of the Escrow Agent or the termination of this Agreement.

15. REMOVAL AND RESIGNATION. Escrow Agent agrees that SFI and the Shareholders may, by their agreement, at any time remove Escrow Agent as escrow agent hereunder, and substitute another person or entity as escrow agent, in which event Escrow Agent shall, upon receipt of a Joint Direction requesting such removal, account for and deliver to such substituted escrow agent all amounts held in the Escrow, and Escrow Agent shall thereafter be discharged from its duties hereunder. Escrow Agent may resign from serving as escrow agent hereunder by written notice to such effect given to SFI and the Shareholder Representative, whereupon SFI and the Shareholder Representative shall agree upon a successor escrow agent and shall so notify Escrow Agent, which shall then account for and deliver to such successor all amounts held in the Escrow, and such resignation shall thereupon be effective. If no successor escrow agent is agreed upon within a reasonable time after such notice is given, the Escrow Agent shall be entitled to tender into the registry or custody of any court of competent jurisdiction the Escrow Funds, together with such legal proceedings as the Escrow Agent deems appropriate, and thereupon the Escrow Agent shall be discharged from all further duties hereunder.

16. NOTICES. All notices, demands and other communications required or permitted hereunder shall be in writing and may be telexed or telecopied, which shall be followed forthwith by letter, and such notice, request, demand or other communication shall be deemed to have been received on the next business day following dispatch and acknowledgment of receipt by the recipient's telex or telecopy machine. In addition, notices hereunder may be delivered by hand, in which event the notice shall be deemed effective when delivered, or by overnight courier, in which event the notice shall be deemed to have been received on the next business day following delivery to such courier. Notices, requests, demands and other communications may not be given by regular or certified mail. All notices and other communications under this Agreement shall be given to the parties hereto at the following addresses:(or such other address for a party as shall be specified by like notice):

If to Company:

Elekom Corporation
Pacific First Plaza, Eighth Floor
155 - 108th Avenue
Bellevue, Washington 98004
Attention: Norman Behar, President and CEO
Facsimile: (425) 990-3075

With a copy (which shall not constitute notice) to:

Perkins Coie LLP
411 - 108th Avenue N.E.
Suite 1800
Bellevue, Washington 98004-5584
Attention: Kurt Becker
Facsimile: (425) 453-7350

If to SFI:

Clarus Corporation, formerly known as SQL Financials International, Inc.
3950 Johns Creek Court
Suite 100
Swan, Georgia 30024
Attention: Stephen P. Jeffery, President and CEO
Facsimile: (770) 291-8573

With a copy (which shall not constitute notice) to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.
Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

(b) If to the Shareholder Representative:

_____

_____

_____

_____

Attention: _____

Facsimile No.: (_____) _____

with a copy to:

Kurt Becker
Perkins Coie LLP
Suite 1800, 411 - 108th Ave. N.E
Bellevue, WA 98004-5584
Attention: Kurt Becker
Facsimile No.: (425) 453-6980

(c) If to Escrow Agent:

_____

_____

_____

_____

Attention: _____

Facsimile No.: (_____) _____

Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 16.

17. INTERPRETATION. This Agreement and Article IX of the Merger Agreement are to be read together. To the extent of any inconsistency between this Agreement and Article IX of the Merger Agreement, the terms and provisions of Article IX of the Merger Agreement shall control.

18. TAX REPORTING. For purposes of tax reporting, all income earned on the funds in the Escrow shall be deemed to have been earned for the account of the party to whom the funds are disbursed, and Escrow Agent is authorized to act accordingly.

19. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

20. GOVERNING LAW AND JURISDICTION. This Agreement shall be governed by and construed according to the laws of the State of Washington, without regard to any rules regarding choice of law. The exclusive jurisdiction for any action by any SFI Indemnitee against Shareholders, Preferred Shareholders, or with respect to the Escrow Funds shall be the state and federal courts situated in Hennepin County, Minnesota.

21. DEFINED TERMS. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such term in the Merger Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

ELEKOM CORPORATION	CLARUS CORPORATION, formerly known SQL Financials International, Inc.
By: _____	By: _____
Name: Norman Behar	Name: Stephen P. Jeffery
Title: President and CEO	Title: President and CEO

ESCROW AGENT:

NATIONSBANK, N.A.

By_____

Name:_____

Title:_____

PREFERRED SHAREHOLDERS:

_____

_____

_____

EXHIBIT 4.6

AFFILIATE AND MARKET STAND-OFF AGREEMENT

This Affiliate and Market Stand-Off Agreement (this "Affiliate Agreement") is made and entered into as of _____ ___, 1998 (the "Effective Date") by and among Clarus Corporation ("Clarus"), Elekom Corporation, a Washington corporation ("Elekom"), and _____ ("Shareholder") who is an affiliate of Elekom.

RECITALS

A. This Affiliate Agreement is entered into pursuant to that certain Agreement and Plan of Reorganization dated as of August 31, 1998 between Clarus and Elekom (as such may be amended the "Merger Agreement") which provides (subject to the conditions set forth therein) for the merger of a wholly owned subsidiary of Clarus ("Newco") with Elekom in a forward triangular merger (the "Merger"), with Newco to be the surviving corporation of the Merger, all pursuant to the terms and conditions of the Merger Agreement. Capitalized terms used but not otherwise defined in this Affiliate Agreement have the meanings ascribed to such terms in the Merger Agreement.

B. The Merger Agreement provides that, in the Merger, the shares of Elekom Common Stock and shares of Elekom Preferred Stock that are issued and outstanding at the Effective Time of the Merger will be converted into shares of Clarus Common Stock, all as more particularly set forth in the Merger Agreement.

C. Shareholder understands that Shareholder is deemed an "affiliate" of Elekom within the meaning of the Securities Act of 1933, as amended (the "1933 Act"), and that any shares of Clarus capital stock acquired by the Shareholder in the Merger may be disposed of only in conformity with the limitations described herein.

A G R E E M E N T

1. TAX TREATMENT, RELIANCE. Shareholder understands and agrees that it is intended that the Merger will be treated as a tax-free reorganization for federal income tax purposes. Shareholder understands that the representations, warranties and covenants of Shareholder set forth herein will be relied upon by Elekom and Clarus and their respective counsel and accounting firms and by Elekom' stockholders. Shareholder will rely on Shareholder's own tax advisers as to the tax attributes of the Merger to Shareholder and understands that neither Clarus, nor Clarus's counsel, Elekom or Elekom' counsel has guaranteed nor will guarantee to Shareholder that the Merger will be a tax-free reorganization, nor shall any of them have any liability to Shareholder as a result of issuing any opinion in respect thereof that may be required in connection with any registration statement under the 1933 Act.

2. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF SHAREHOLDER. Shareholder represents, warrants and covenants as follows:

(a) Authority; Affiliate Status. Shareholder has all requisite right, power, legal capacity and authority to execute, deliver and perform this Affiliate Agreement and to perform its obligations hereunder. Shareholder further understands and agrees that Shareholder is deemed to be an "affiliate" of Elekom within the meaning of the 1933 Act and, in particular, Rule 145 promulgated under the 1933 Act ("Rule 145"),

(b) Elekom Securities Owned. Attachment 1 hereto sets forth all shares of Elekom capital stock and any other securities of Elekom owned by Shareholder, including all securities of Elekom as to which Shareholder has sole or shared voting or investment power, and all rights, options and warrants to acquire shares of capital stock or other securities of Elekom granted to or held by Shareholder (such shares of Elekom capital stock, other securities of Elekom and rights, options and warrants to acquire shares of Elekom capital stock and

other securities of Elekom are hereinafter collectively referred to as "Elekom Securities"). As used herein, the term "Expiration Date" means the earliest to occur of (i) the closing, consummation and effectiveness of the Merger, or (ii) such time as the Merger Agreement may be terminated in accordance with its terms.

(c) New Elekom Securities. As used herein, the term "New Elekom Securities" means, collectively, any and all shares of Elekom capital stock, other securities of Elekom and rights, options and warrants to acquire shares of Elekom capital stock and other securities of Elekom that Shareholder may purchase or otherwise acquire any interest in (whether of record or beneficially), on and after the Effective Date of this Affiliate Agreement and prior to the Expiration Date. All New Elekom Securities will be subject to the terms of this Affiliate Agreement to the same extent and in the same manner as if they were Elekom Securities.

(d) Merger Securities. As used herein, the term "Merger Securities" means, collectively, all shares of Clarus Common Stock that are or may be issued by Clarus in connection with the Merger or the transactions contemplated by the Merger Agreement, or to any former holder of Elekom options, warrants or rights to acquire shares of Elekom Common Stock, and any securities that may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor or upon conversion thereof.

(e) Transfer Restrictions on Merger Securities. Shareholder has been advised that the issuance of the shares of Clarus Common Stock in connection with the Merger is expected to be effectuated pursuant to a Registration Statement on Form S-4 under the 1933 Act, and that the provisions of Rule 145 will limit Shareholder's resales of such Merger Securities. Shareholder accordingly agrees not to sell, transfer, exchange, pledge, or otherwise dispose of, or make any offer or agreement relating to, any of the Merger Securities and/or any option, right or other interest with respect to any Merger Securities that Shareholder may acquire, unless: (i) such transaction is permitted pursuant to Rules 145(c) and 145(d) under the 1933 Act; or (ii) legal counsel representing Shareholder, which counsel is reasonably satisfactory to Clarus, shall have

advised Clarus in a written opinion letter reasonably satisfactory to Clarus and Clarus's legal counsel, and upon which Clarus and its legal counsel may rely, that no registration under the 1933 Act would be required in connection with the proposed sale, offer, exchange, pledge or other disposition of Merger Securities by Shareholder, or (iii) a registration statement under the 1933 Act covering the Merger Securities proposed to be sold, transferred, exchanged, pledged or otherwise dispose of, describing the manner and terms of the proposed sale, transfer, exchange, pledge or other disposition, and containing a current prospectus, shall have been filed with the Securities and Exchange Commission ("SEC") and been declared effective by the SEC under the 1933 Act, or (iv) an authorized representative of the SEC shall have rendered written advice to Shareholder (sought by Shareholder or counsel to Shareholder, with a copy thereof and all other related communications delivered to Clarus and its legal counsel) to the effect that the SEC would take no action, or that the staff of the SEC would not recommend that the SEC take action, with respect to the proposed disposition of Merger Securities if consummated. Nothing herein imposes upon Clarus any obligation to register any Merger Securities under the 1933 Act.

3. MARKET STAND-OFF. Shareholder hereby covenants and agrees that, prior to the earlier to occur of (i) that date which is the same day of the month as the Closing Date on the ninth full month after the Closing Date, or (ii) October 1, 1999 (the "Stand-Off Period"), Shareholder will not directly or indirectly, (i) offer, sell, offer to sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of or transfer (or announce any offer, sale, offer of sale, contract of sale or grant of any option to purchase or other disposition or transfer of) any of the Merger Securities to any Person, or (ii) create or permit to exist any encumbrance on any of the Merger Securities.

4. LEGENDS. Shareholder also understands and agrees that stop transfer

instructions will be given to Clarus's transfer agent with respect to certificates evidencing the Merger Securities to enforce Shareholder's compliance with Shareholder's representations in Sections 2(e) and Shareholder's compliance with applicable securities laws regarding the Merger Securities, and that there will be placed on the certificates evidencing such Merger Securities a legend providing substantially as follows:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED, SOLD, PLEDGED, EXCHANGED, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, ANY APPLICABLE STATE SECURITIES LAWS, AND THE OTHER CONDITIONS SPECIFIED IN THAT CERTAIN AFFILIATE AND MARKET STAND-OFF AGREEMENT DATED AS OF AUGUST ___, 1998 AMONG Clarus FINANCIALS INTERNATIONAL, INC., ELEKOM CORPORATION AND THE HOLDER OF SUCH SHARES, A COPY OF WHICH MAY BE INSPECTED BY THE HOLDER OF THIS CERTIFICATE AT THE OFFICES OF THE ISSUER. THE ISSUER WILL

> FURNISH WITHOUT CHARGE A COPY THEREOF TO THE HOLDER OF THIS CERTIFICATE UPON WRITTEN REQUEST THEREFOR."

5. RELEASE OF CLAIMS. Concerning claims which one or more of the Shareholders may have against Elekom in their capacity as a shareholder:

(a) Clarus shall assume all liability (to the extent Elekom was so liable) for claims for indemnification arising under Elekom's Articles of Incorporation or Bylaws or under any indemnification contract disclosed to Clarus by Elekom on or before August ___, 1998, and for claims for salaries, wages or other compensation, employee benefits, reimbursement of expenses, or worker's compensation arising out of employment through the effective time of the Merger;

(b) The Shareholders are not aware of any claims that they have or may have (other than those referred to in paragraph (a) above) against Elekom, either individually or as a group; and

(c) The Shareholders, both individually and as a group, hereby fully and finally release and discharge Elekom, Clarus and NewCo from any and all claims of which the Shareholders are aware that they have or may have against any of the foregoing in the Shareholders' capacity as shareholders of Elekom, other than those referred to in paragraph (a) above.

6. NOTICES. All notices, approvals, consents, requests and other communications that any party is required or elects to give hereunder shall be in writing and shall be deemed to have been given (a) upon personal delivery thereof, including by appropriate international courier service, five (5) days after delivery to the courier or, if earlier, upon delivery against a signed receipt therefor or (b) upon transmission by facsimile or telecopier, which transmission is confirmed, in either case addressed to the party to be notified at the address set forth below or at such other address as such party shall have notified the other parties hereto, by notice given in conformity with this Section 4:

(a) If to Clarus:

Clarus Corporation
950 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
Attention: Stephen P. Jeffery, President and CEO
Facsimile: (770) 291-8573

With a copy (which shall not constitute notice) to:

Womble Carlyle Sandridge & Rice, PLLC
1275 Peachtree Street, N.E.

Suite 700
Atlanta, Georgia 30309
Attention: G. Donald Johnson, Esq.
Facsimile: (404) 888-7490

(b) If to Elekom:

Elekom Corporation
Pacific First Plaza, Eighth Floor
155 - 108th Avenue
Bellevue, Washington 98004
Attention: Norman Behar, President and CEO
Facsimile: (425) 990-3075

With a copy (which shall not constitute notice) to:

Perkins Coie LLP
201 Third Avenue
Seattle, Washington 98101-3099
Attention: Charles J. Katz, Jr.
Facsimile: (206) 583-8500

(c) If to Shareholder:

At the address for notice to such Shareholder set forth on the last page hereof

with a copy to:

Counsel for Shareholder, if any, at the address shown on the signature page hereto

Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 6.

7. SURVIVAL; TERMINATION. All representations, warranties and agreements made by Shareholder in this Affiliate Agreement shall survive the consummation of the Merger. This Affiliate Agreement shall be terminated and shall be of no further force and effect upon the termination of the Merger Agreement pursuant to its terms.

8. EXPENSES. All costs and expenses incurred in connection with the transactions contemplated by this Affiliate Agreement shall be paid by the party incurring such costs and expenses.

9. COUNTERPARTS. This Affiliate Agreement may be executed in counterparts, each of which will be an original as regards any party whose name appears thereon and all of which together will constitute one and the same agreement. This Affiliate Agreement will become binding when one or more counterparts hereof, individually or taken together, bear the signatures of all parties reflected hereon as signatories. Facsimile copies with signatories of the parties to this Agreement, or their duly authorized representatives, shall be legally binding and enforceable. All such facsimile copies are declared as originals and, accordingly admissible in any jurisdiction or tribunal having jurisdiction over any matter relating to this Agreement.

10. ASSIGNMENT, BINDING EFFECT. Except as provided herein, neither this Affiliate Agreement nor any of the rights, interests or obligations hereunder shall be assigned the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto. Subject to the preceding sentence, this Affiliate Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted signs.

11. AMENDMENT AND WAIVERS. Any term or provision of this Affiliate

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Agreement may be amended, and the observance of any term of this Affiliate Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a writing signed by the parties to be bound thereby. The waiver by a party of any breach hereof or default in the performance hereof will not be deemed to constitute a waiver of any other default or any succeeding breach or default.

12. ENTIRE AGREEMENT. This Affiliate Agreement and any documents
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delivered by the parties in connection herewith constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements and understandings between the parties with respect thereto.

13. OTHER AGREEMENTS. Nothing in this Affiliate Agreement shall
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limit any of the rights or remedies of Clarus or Shareholder or any of the obligations of either party under any Voting Agreement between Clarus and Shareholder or any other agreement.

14. SEVERABILITY. Any term or provision of this Affiliate Agreement
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which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Affiliate Agreement or affecting the validity or enforceability of any of the terms and provisions of this Affiliate Agreement or affecting the validity or enforceability of any of the terms or provisions of this Affiliate Agreement in any other jurisdiction. If any provision of this Affiliate Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

15. GOVERNING LAW. The internal laws of the State of Georgia

(irrespective of its choice of law principles) will govern the validity of this Affiliate Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

16. CONSTRUCTION. The language hereof will not be construed for or
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against either party. A reference to a section will mean a section of this Affiliate Agreement, unless otherwise explicitly set forth. The titles and headings in this Affiliate Agreement are for reference purposes only and will not in any manner limit the construction of this Affiliate Agreement. For the purposes of such construction, this Affiliate Agreement will be considered as a whole.

IN WITNESS WHEREOF, the parties hereto have caused this Affiliate Agreement to be executed as of the date first written above.

ELEKOM CORPORATION CLARUS CORPORATION

By:_____ By:_____
Name: Norman Behar Name: Stephen P. Jeffery
Title: President Title: President

SHAREHOLDER:

_____

ATTACHMENT 1

Affiliate's Address for Notice: _____

_____

_____

with a copy to counsel _____
for Shareholder _____

_____
_____
_____

Number of Shares of Elekom
Common Stock owned as of the
date of this Affiliate Agreement: _____

Number of Shares of Elekom
Series A Preferred Stock owned
as of the date of this Affiliate Agreement: _____

Number of Shares of Elekom
Series B Preferred Stock owned
as of the date of this Affiliate Agreement: _____

Number of Elekom Options for
Common Stock owned as of
the date of this Affiliate Agreement: _____

Number of Elekom Warrants for
Common Stock owned as of
the date of this Affiliate Agreement: _____

Elizabeth O. Derrick
Direct Dial: (404) 888-7433
Direct Fax: (404) 870-4824
E-mail: bderrick@wcsr.com

EXHIBIT 5.1

September 16, 1998

Clarus Corporation
3950 Johns Creek Court
Suwanee, Georgia 30024

Re: Registration Statement on Form S-4 (the "Registration Statement") with respect to shares to be issued pursuant to the Agreement and Plan of Reorganization by and between Clarus Corporation. ("Clarus"), Clarus CSA, Inc. and Elekom Corporation dated as of August 31, 1998 (the "Agreement")

Ladies and Gentlemen:

We have acted as counsel to Clarus in connection with the registration of up to 1,391,305 shares of its common stock, par value $.0001 per share (the "Common Stock"), issuable pursuant to the Agreement, as set forth in the Registration Statement that is being filed on the date hereof by Clarus with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"). This opinion is provided pursuant to the requirements of Item 21(a) of Form S-4 and Item 601(b)(5) of Regulation S-K.

In connection with the foregoing, we have examined such records, documents and proceedings as we have deemed relevant as a basis for the opinion expressed herein, and we have relied upon an officer's certificate as to certain factual matters.

Based on the foregoing, we are of the opinion that when (1) the Registration Statement shall have been declared effective by order of the Commission and (2) the shares of Common Stock have been issued upon the terms and conditions set forth in the Agreement and in accordance with the Registration Statement, then the shares of Common Stock will be legally issued, fully paid and nonassessable.

We hereby consent to be named in the Registration Statement under the heading "LEGAL MATTERS" as attorneys who passed upon the validity of the shares of Common Stock and to the filing of a copy of this opinion as Exhibit 5 to the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Very truly yours,

WOMBLE CARLYLE SANDRIDGE & RICE,
A Professional Limited Liability Company

By: /s/ Elizabeth O. Derrick
Elizabeth O. Derrick

EXHIBIT 8.1

September 16, 1998

Elekom, Inc.
Pacific First Plaza, Eighth Floor
155 - 108th Avenue
Bellevue, Washington 98004

Attn: Norman Behar
President and Chief Executive Officer

RE: TAX OPINION REGARDING MERGER OF ELEKOM, INC. INTO CLARUS CSA, INC.

Ladies and Gentlemen:

We have been asked, as counsel to Elekom, Inc., a Washington corporation ("Elekom"), to render this opinion regarding the material U.S. federal income tax consequences to the holders of the shares of Elekom capital stock of the merger (the "Merger") of Elekom into Clarus CSA, Inc., a Delaware corporation ("Clarus CSA") pursuant to that certain Agreement and Plan of Reorganization, dated as of August 31, 1998 (the "Agreement"). Capitalized terms not otherwise defined herein shall have the same meanings given to them in the Agreement or if not defined therein as described in the Registration Statement on Form S-4 filed with the Securities and Exchange Commission relating to the Merger (the "S-4"). This opinion letter is rendered pursuant to Section 7.7 of the Agreement.

In connection with our opinion, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the relevant documents related to the Merger, including the Agreement and the Shareholders Agreement. Furthermore, we have examined that certain Clarus Corporation Tax Matters Certificate, dated as of the date hereof (the "Clarus Tax Certificate") and that certain Elekom, Inc. Tax Matters Certificate, dated as of the date hereof (the "Elekom Tax Certificate").

Our opinion is conditioned on, among other things, the initial and continuing accuracy of the facts, information, covenants and representations set forth in the documents referred to above, the representations given by Clarus Corporation in the Clarus Tax Certificate and the representations given by Elekom in the Elekom Tax Certificate. In addition to these conditions, we have made the following assumptions: (i) the Merger will be consummated in accordance with the Merger Agreement; (ii) substantially all of Elekom's assets will be acquired by Clarus CSA in the Merger, and (iii) after the Effective Time the Company intends to continue the historic business of Elekom or use a significant portion of its business assets in a business. We have also assumed that 50% or more of the total Merger consideration (including for purposes of our opinion amounts paid out of the advances made pursuant to Section 4.6 of the Merger Agreement and used to repurchase stock from employees of Elekom pursuant to buyback rights contained in employment related agreements governing the stock issued to those employees (the "Elekom Buyback Provisions"), determined by value as of the Effective Time, will constitute Company Common Stock. Assuming the continuing accuracy of the foregoing assumptions and representations as of the Effective Time and no change in the Code, the Treasury Regulations proposed or promulgated thereunder, or any other administrative or judicial interpretations thereof after the date hereof and on or before the Effective Time, we will reissue our opinion as of the Effective Time.

In rendering our opinion, we have assumed the accuracy of all information and representations and the performance of all undertakings

contained in the reviewed documents as set forth above, the conformity of all copies to the original documents, and the genuineness of all signatures. We have not attempted to verify independently the accuracy of any information in any such document, and we have assumed that such documents accurately and completely set forth all material facts relevant to this opinion. If any of these facts or assumptions are not correct, please advise us at once as our advice may be affected by a change in such facts or assumptions.

Based on the facts and assumptions set forth above, the accuracy of the Clarus Tax Certificate and the Elekom Tax Certificate, and upon our

examination of the documents set forth above and the relevant legal authorities, it is our opinion that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that the following are the material federal income tax consequences for a Elekom shareholder as a result of the Merger (other than as affected by the particular tax circumstances of an Elekom shareholder):

(i) No gain or loss will be recognized by an Elekom shareholder as a result of the Merger with respect to Elekom capital stock converted solely into Company Common Stock.

(ii) The tax basis of Company Common Stock received by a shareholder in the Merger will equal the tax basis of that shareholder in the Elekom capital stock surrendered by that shareholder in the Merger, decreased by any basis allocable to fractional share interests in Company Common Stock for which cash is received and any other cash received by that shareholder in exchange for Elekom capital stock and increased by any gain recognized by such shareholder in the Merger.

(iii) The holding period of the Company Common Stock received in the Merger will include the period during which the shareholder held the Elekom capital stock, assuming such Elekom capital stock is held as a capital asset at the Effective Time.

(iv) Elekom shareholders who receive cash upon the exercise of dissenter rights or receive cash as their entire Merger consideration (including for all purposes of this opinion cash received pursuant to the Elekom Buyback Provisions) will recognize gain or loss for federal income tax purposes, measured by the difference between the amount of cash received and the basis of the Elekom capital stock surrendered in the Merger. Any gain or loss recognized will be capital gain or loss, provided that such share of Elekom capital stock is held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend. Furthermore, such gain or loss will be a long-term capital gain or loss if such share of Elekom capital stock has been held for more than 12 months. Any Company Common Stock received by a holder of Elekom Preferred Stock may be treated as taxable ordinary income to the extent received for accrued but unpaid dividends or as a liquidation preference.

(v) Any Elekom shareholder who receives some cash (including cash received pursuant to the Elekom Buyback Provisions) and some Company Common stock in the Merger will recognize gain in an amount equal to the lesser of the cash received or the gain realized with respect to all of their Elekom stock. Such gain will be capital gain provided that such share of Elekom capital stock was held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend. No loss may be recognized by any such shareholder.

(vi) The receipt of cash in lieu of a fractional share will be treated as if they had received the fractional share and then received cash in redemption of that share, resulting in the recognition of gain or loss. Such gain or loss will be treated as capital gain or loss provided that such share of Elekom capital stock was held as a capital asset at the Effective Time and the receipt of cash is not essentially equivalent to a dividend.

(vii) No gain or loss will be recognized by Elekom, Clarus CSA or the Company as a result of the Merger.

With respect to gain realized as a result of the receipt of cash from escrowed funds, shareholders should consult with their own tax advisers to determine if installment method reporting is available with respect to such gain.

If contrary to the assumptions above, the value of the stock portion of the total Merger consideration (including for all purposes of this opinion cash received pursuant to the Elekom Buyback Provisions) were to fall below 50% but not below 40%, we believe that the Merger should still qualify as a reorganization but cannot give any assurances that the Internal Revenue Service will not challenge the Merger. If the stock portion of the total Merger consideration were to fall below 40%, we believe that there would be a significant risk that the Merger would not qualify as a reorganization, and in that case we could not render a favorable opinion on the reorganization status of the Merger for federal income tax purposes.

A successful IRS challenge to the reorganization status of the Merger (as a result of a failure of the "continuity of interest" requirement or otherwise) would result in Elekom being treated as having sold its assets in a taxable sale and then as having distributed the proceeds to the shareholders in redemption of their stock. In such event, each holder of Elekom capital stock would recognize gain or loss with respect to each share of Elekom capital stock surrendered equal to the difference between the shareholder's basis in such share and the fair market value, at the Effective Time, of the Company Common Stock received in exchange therefor (plus any cash received for fractional shares). In such event, a shareholder's aggregate basis in the Company Common Stock so received would equal its fair market value, and the shareholder's holding period for such stock would begin the day after the Effective Time.

Our opinion is limited to the specific matters addressed above. We give no opinion with respect to other tax matters, whether federal, state or local, that may relate to the Merger. Our opinion may not address issues that are material to an individual shareholder based on his or her particular tax situation. No ruling will be requested from the Internal Revenue Service ("IRS") regarding the Merger. Our opinion is not binding on the IRS and does not constitute a guarantee that the IRS will not challenge the tax treatment of the Merger.

In rendering our opinion, we have considered the applicable provisions of the Code, Treasury Regulations promulgated thereunder and the pertinent judicial authorities and interpretative rulings of the IRS. We caution that our opinion is based on the federal income tax laws as they exist on the date hereof. It is possible that subsequent changes in the tax law could be enacted and applied retroactively to the Merger and that such changes could result in a materially different result than the result described in the opinions above.

This opinion is furnished in connection with the Merger. We consent to the reference to our firm under the caption "SUMMARY--Material Federal Income Tax Consequences of the Merger" and "THE MERGER--Material Federal Income Tax Consequences of the Merger" and to the filing of this opinion as an exhibit to the S-4.

Very truly yours,

PERKINS COIE

EXHIBIT 10.18

STATE OF GEORGIA

COUNTY OF FORSYTH

LEASE

THIS LEASE, made this 24th day of July, 1998, between TECHNOLOGY PARK/ATLANTA, INC.,a Georgia Corporation (hereinafter called "Lessor"), and SQL FINANCIALS INTERNATIONAL, INC., a Delaware Corporation (hereinafter called "Lessee");

W I T N E S S E T H: THAT,

WHEREAS, Lessor is the owner of that certain building situated at 3970 Johns Creek Court, Suwanee, Forsyth County, Georgia (hereinafter called the "Building") and located on the property (hereinafter called the "Land"; the Land and the Building are herein collectively called the "Property") described on EXHIBIT "A", attached hereto and by this reference incorporated herein; and

WHEREAS, Lessee wishes to lease from Lessor approximately 86,970 rentable square feet (83,717 usable square feet) of the Building (which is leased to the Building roof overhang), which area is outlined in red on the diagram marked EXHIBIT "B", attached hereto and by this reference incorporated herein and made a part hereof (hereinafter called the "Premises");

NOW, THEREFORE, in consideration of the payment of the rent and the keeping and performance of the covenants and agreements by Lessee as hereinafter set forth, Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, the Premises. Lessor has not made any representation or warranty as to the suitability of the Premises for the conduct of Lessee's business. No easement for light or air is included in the Premises.

FOR AND IN CONSIDERATION of the leasing of the Premises as aforesaid, the parties hereby covenant and agree as follows:

1. TERM. Subject to Section 1.2 and Section 22 hereof, the term (hereinafter called the "Lease Term") of this Lease shall commence on January 1, 1999 (hereinafter called the "Commencement Date") and, unless sooner terminated pursuant to the provisions hereof, shall expire at 11:59 p.m. on the day before the date which is seven (7) years and three (3) months after the Commencement Date.

2. RENT.

2.1 Subject to Section 10.1, the annual base rental (hereinafter called "Annual Base Rental") for the Premises shall be NINE HUNDRED THIRTEEN THOUSAND ONE HUNDRED EIGHTY-FIVE AND NO/100 DOLLARS ($913,185.00). The Annual Base Rental shall be payable in equal monthly installments of SEVENTY SIX THOUSAND NINETY-EIGHT AND 75/100 DOLLARS ($76,098.75) (hereinafter called "Base Rent") in advance on the first day of each and every calendar month during the Lease Term. Base Rent shall be prorated at the rate of 1/30th of the Base Rent per day for any partial month. Beginning on the first (1st) anniversary of the Commencement Date and on each such anniversary thereafter throughout the Lease Term, the Annual Base Rental and Base Rent shall automatically increase by an amount equal to three percent (3%) over the preceding twelve month's Annual Base Rental, and Base Rent. Notwithstanding the foregoing of this Section 2.1, Base Rent for the first three (3) months of the Lease Term shall be $1.00 for each month.

2.2 Lessee shall pay the rent and all other sums, amounts, liabilities, and obligations which Lessee herein assumes or agrees to pay (whether designated Base Rent, additional rent, costs, expenses, damages, losses, or

otherwise) (all of which are hereinafter called "Amount Due") as herein provided promptly at the times and in the manner herein specified without deduction, setoff, abatement, counterclaim, or defense, except as otherwise provided for in this Lease. If any Amount Due is not received by Lessor within five (5) days

after written notice following the date on which it is due, Lessee shall pay Lessor a late charge equal to five percent (5%) of the amount of such past due payment, notwithstanding the date on which such payment is actually paid to Lessor. If such Amount Due is not paid within thirty (30) days of the date on which it was originally due, then, in addition to such late charge, Lessee shall pay Lessor interest on such Amount Due from the date on which it was originally due until the date it is actually paid at a rate per annum equal to the lesser of (i) the prime rate of interest announced by Wachovia Bank, N.A., or its successors, from time to time for 90-day unsecured loans to its best commercial customers plus five percent (5%) or (ii) the maximum rate permitted by applicable law. Any such late charge and interest shall be due and payable at the time of actual payment of the Amount Due. Any Amount Due payable to Lessor by Lessee shall be paid in cash or by check at the office of Lessor, c/o Technology Park/Atlanta, Inc., Suite 150, 11555 Medlock Bridge Road, Duluth, Georgia 30097, or at such other place or places as Lessor may from time to time designate in writing.

3. INTENTIONALLY DELETED

4. SHARED EXPENSES.

4.1 During the Lease Term, Lessee shall pay as additional rent Lessee's Proportionate Share (as hereinafter defined) of Shared Expenses (as hereinafter defined). Lessee shall also pay as additional rent all other charges, costs and expenses not included within Shared Expenses which are incurred by Lessor as a result of any use of the Premises by Lessee. Lessee's Proportionate Share of Shared Expenses shall be prorated as necessary for any year during which this Lease is effective for less than the full twelve month calendar year. Shared Expenses shall be calculated on an accrual basis.

4.2 "Total Rentable Area" shall mean all space within the Building designed and designated for individual tenant occupancy whether such space is currently subject to a lease by an individual tenant or not, including areas used in common with other tenants of the Building, if any. The parties hereby acknowledge that the Total Rentable Area within the Building is 130,783 rentable square feet.

4.3 "Lessee's Proportionate Share" shall mean that proportion of the Shared Expenses that the area of the Premises bears to the Total Rentable Area of the Building. Specifically, the parties acknowledge that the Premises occupied by Lessee are 86,970 square feet out of a Total Rentable Area of 130,783 rentable square feet; therefore, for any applicable period, the Lessee's Proportionate Share of Shared Expenses, to be paid by Lessee to Lessor, is 66.5%.

4.4 For purposes of this Lease, the term "Shared Expenses" shall mean the operating and maintenance expenses incurred by Lessor pertaining to all areas of the Building and the Land used in common with other tenants of the Building, including, but not limited to, the exterior structure, walls and roof of the Building, areas used in common by tenants, lawns, gardens, sidewalks, driveways and parking lots (herein collectively called the "Common Area"). Shared Expenses shall include, but not be limited to:

4.4.1 The wages and salaries of all employees directly engaged in the operation and maintenance of the Common Area, including employers' Social Security taxes, unemployment, and other employment taxes which may be levied on or with respect to such wages and salaries, and attributable overhead expenses.

4.4.2 All janitorial and other cleaning expenses and office supplies and materials used in the operation and maintenance of the Common Area by Lessor.

4.4.3 The cost of water, sewer, heating, lighting, ventilation, electricity, air conditioning, and any other utilities supplied or paid for by Lessor for the Common Area and the cost of maintaining the systems supplying the same.

4.4.4 The cost of all agreements for maintenance and service of the Common Area, including, but not limited to, agreements relating to pest control and the cleaning and maintenance of equipment.

4.4.5 The cost of all sprinkler systems, fire extinguishers, fire hoses, security services and protective services or devices rendered to or in connection with the Land and the Building or any part thereof.

4.4.6 Insurance premiums for insurance for the Building and Land required to be maintained by Lessor hereunder or which Lessor deems appropriate (exclusive of additional premiums caused and paid for by Lessee or other tenants of the Building).

4.4.7 The cost of repairs and general maintenance of the Common Area and Land, including, but not limited to: maintenance of common areas and facilities; lawn mowing, gardening, landscaping and irrigation of landscaped areas; line painting, pavement maintenance, sweeping and sanitary control; removal of snow, trash, rubbish, garbage and other refuse; the cost of personnel to implement such services, to direct parking and to police the common facilities; the cost of exterior and interior painting; and the cost of maintenance of sewers and utility lines.

4.4.8 The amortization (together with reasonable financing charges) of the cost of installation of capital investment items which are installed for the purpose of reducing operating expenses, promoting safety, complying with governmental requirements or maintaining the first class nature of the Property.

4.4.9 All taxes, assessments and governmental or other charges, general or special, ordinary or extraordinary, foreseen or unforeseen, which are levied, assessed or otherwise imposed against the Land, street lights, personal property, or rents, or on the right or privilege of leasing the Land or collecting rents thereon by any federal, state, county or municipal government or by any special sanitation district or by any other governmental or quasi-governmental entity that has taxing or assessment authority, and any other taxes and assessments attributable to the Building or its operation, including but not limited to any Impositions payable by Lessor pursuant to Section 15 hereof; but exclusive of federal or state income taxes of Lessor.

4.4.10 All management expenses attributable to the Common Area and Land, including, but not limited to: administrative expenses associated with collecting rent, arranging for and assuring continuity of Common Area services, supervising maintenance or repair, enforcing rules and regulations and generally assuring compliance with the terms of this and other leases; salaries or wages of persons employed or contracted to manage the Building; the cost of supplies and materials, equipment and furnishings necessary for such management functions; the cost of telephone service, attributable overhead expenses and any other expenses and management fees directly relating to the management of the Building. The management fee will not exceed 3% of the Building gross revenue.

4.4.11 All assessments (if any) assessed against the Land during the Lease Term pursuant to any protective covenants now or hereafter of record against the Land, including, without limitation, any assessments imposed for the maintenance and repair of the common areas of Johns Creek pursuant to the covenants described in Section 26 hereof.

4.4.12 Those items specified in Section 7.1 hereof which are Lessor's responsibility to maintain.

4.4.13 Any cost or expense which is normally treated in accordance with generally accepted accounting principals as being of a capital nature shall not be included as Shared Expenses.

4.4.14 Any cost or expense for which the Lessor receives reimbursement from insurance proceeds (exclusive of the amount of the insurance deductible) shall not be included as a Shared Expense.

4.5 Nothing contained in this Section 4, including, but not limited to the definition of "Shared Expenses" contained in Section 4.4 hereof, shall imply any duty on the part of Lessor to pay any expense or provide any service, except as otherwise provided for herein.

4.6 Prior to the Commencement Date and prior to each December 31 thereafter during the Lease Term, Lessor shall reasonably estimate the amount of Shared Expenses and Lessee's Proportionate Share of Shared Expenses for the ensuing calendar year or (if applicable) fractional portion thereof and notify

Lessee in writing of such estimate. Such estimate shall be made by Lessor in the exercise of its sole discretion. The amount of additional rent specified in each such notification shall be paid by Lessee to Lessor in equal monthly installments in advance on the Commencement Date and on the first day of each calendar month thereafter during the Lease Term, at the same time and in the same manner as Base Rent.

4.7 On or before each March 1 during the Lease Term, Lessor shall advise Lessee of the amount of actual Shared Expenses for such prior calendar year or fractional part thereof (if applicable). If Lessee's Proportionate Share of Shared Expenses for such calendar year proves to be greater than the estimated amount, Lessor shall invoice Lessee for the deficiency as soon as practicable after the amount of underpayment as been determined, and Lessee shall pay such deficiency to Lessor within thirty (30) days following its receipt of such invoice. If, however, Lessee's Proportionate Share of Shared Expenses for such calendar year is lower than the estimated amount, Lessee shall receive a credit toward the next ensuing monthly payment of the estimated amount of Lessee's Proportionate Share of Shared Expenses in an amount of such overpayment, provided however, that in the event of the expiration or other termination of this Lease, Lessee shall be refunded such overpayment as soon as practicable thereafter after the amount of overpayment has been determined but in no event not later than thirty (30) days after the date of such expiration or other termination.

4.8 Lessee may, only one (1) time during a consecutive twelve (12) month period and upon ten (10) days' prior written notice to Lessor, at Lessee's expense and at any reasonable time, audit the books and supporting documentation of Lessor pertaining exclusively to the calculation of Shared Expenses. If Lessee disputes the amount of additional rent due pursuant to Section 4.7 hereof, Lessee may institute arbitration proceedings and such dispute shall be settled by arbitration in the City of Atlanta, Georgia, by a panel of three members in accordance with the rules then in effect of the American Arbitration Association; provided, however, that Lessee shall immediately pay any disputed amount to Lessor, and if the arbitrators find that Lessee has paid more than Lessee's Proportionate Share of Shared Expenses for the previous calendar year, Lessor shall immediately pay such amount to Lessee. The decision of the arbitrators acting hereunder shall be binding and conclusive upon the parties. Lessor and Lessee shall each pay one-half of the cost of such arbitration; provided, however, that if the arbitrators determine that the arbitration proceedings were not instituted in good faith by Lessee, Lessee shall pay the full cost thereof.

5. USE.

5.1 Lessee (and its permitted assignees and subtenants) shall use the Premises only for general business, administrative, sales, service, and product development, not in violation of the protective or restrictive covenants hereinafter referred to, and for no other purpose without the prior written consent of Lessor. Lessee shall operate its business in the Premises during the entire Lease Term and in a reputable manner in compliance with all applicable laws, ordinances, regulations, covenants, restrictions, and other matters shown on the public records, now in force or hereafter enacted. Lessee will not permit, create, or maintain any disorderly conduct, trespass, noise, or nuisance whatsoever about the Premises which has a tendency to annoy or disturb any persons occupying adjacent premises either within or without the Building.

5.2 Lessee shall not place or maintain machines, equipment, or other apparatus which causes vibrations or noise that may be transmitted to the Building structure or to any space to such a degree as to be objectionable to Lessor or to any tenant, occupant, or other person in the Building. Lessee shall not make or permit any smoke or odor that is objectionable to the public or to other occupants of the Building, to emanate from the Premises, and shall not create, permit, or maintain a nuisance thereon, and shall not do any act tending to injure the reputation of the Building.

5.3 Lessee shall cause all loading and unloading of any goods or materials delivered to or sent from the Premises to be done only in the loading dock area of the Premises or, if no loading dock area is located at the Premises, then at the loading dock area of the Building or such other dock area as Lessor may designate. Under no circumstances shall Lessee allow any goods or materials delivered to or sent from the Premises to be stored on, accumulate on

or obstruct the loading dock area, dumpster pad, sidewalks, driveways, parking areas, entrances or other public areas or spaces of the Building or the Property. Lessee acknowledges that violations of this Section 5.3 shall constitute a material breach of this Lease.

5.4 Lessee shall not perform or permit any work, including, but not limited to, assembly, construction, mechanical work, painting, drying, layout, cleaning, or repair of goods or materials, to be done on the loading dock, sidewalks, driveways, parking areas, landscaped areas of the Building or the Property.

5.5 Lessee shall not use, handle, store, deal in, discharge, or fabricate any environmentally hazardous wastes, substances or materials as the same are now or hereafter may be defined or classified by any local, state, or federal environmental protection legislation or regulation issued pursuant thereto except for cleaning supplies, toners, and similar materials which are not in reportable quantities as defined and required by Federal or State Laws and in compliance with all applicable laws.

6. UTILITIES AND SERVICE.

6.1 Lessee shall pay during the Lease Term the costs of all utilities furnished to the Premises, including, without limitation, water, gas (if any), electricity, sewer and refuse disposal. To the extent water, sewer and refuse disposal for the Premises and other tenant space within the Building are not separately billed to Lessee and the other tenants of the Building, the costs for such services shall be paid by Lessee to Lessor as a Shared Expense. Lessee shall be solely responsible for the payment of all telephone and cable charges, including, without limitation, the cost of installation at the Premises of all telephone and cable equipment which shall be installed at the request of Lessee. The furnishing of and cost of janitorial services for the Premises shall be the sole responsibility of Lessee.

6.2 Except in the event of Lessor's negligence or willful misconduct, Lessor shall not be held liable for any damage or injury suffered by Lessee or by any of Lessee's licensees, agents, invitees, servants, employees, contractors, or subcontractors or any other person or entity engaged, invited, or allowed to come onto the Premises by Lessee (hereinafter collectively referred to as "Lessee Parties"), resulting directly, indirectly, proximately, or remotely from the installation, use, or interruption of any utility service to the Premises or Building, including, but not limited to, temporary failure to supply any heating, air conditioning, electrical, water, or sewer services, or any of them. No temporary failure to provide services shall relieve Lessee from fulfillment of any covenant of this Lease, including, without limitation, the covenant to pay any Amount Due in the manner and amounts, and promptly at the times set forth herein.

7. MAINTENANCE.

7.1 Lessor shall not be obligated to maintain or make any repairs or replacements to the Premises during the Lease Term except for the roof, foundation, exterior walls (excluding, however, glass doors), all exterior sewer and exterior utility lines to the Building, and the Common Area, and Lessee covenants and agrees to assume all responsibility of repair and maintenance of the Premises.

7.2 Upon commencement of the Lease Term, Lessee shall accept (excepting Punch List items) the Premises for its intended use, and Lessee shall, at its sole cost, risk, expense and liability, keep and maintain the Premises in good order and repair, and in compliance with all applicable governmental codes, ordinances and regulations. Lessee shall also (i) keep all sewer and utility lines servicing the Premises, including, without limitation, all sewer connections, plumbing, heating, ventilating and air conditioning equipment and appliances, wiring and glass, in good order and repair; (ii) provide janitorial services for the Premises; and (iii) keep the Premises free from all litter, dirt, debris and obstructions and in a clean and sanitary condition. Lessee shall enter into a contract approved by Lessor

for the maintenance of all heating, ventilating, and air conditioning equipment located in or serving the Premises. At all times the Premises shall be kept in accordance with the standards then prevailing in Johns Creek and all such

maintenance, repair, replacement and work performed pursuant to this section shall be performed in accordance with such standards.

7.3 At the expiration or other termination of this Lease, Lessee shall surrender the Premises (and the keys thereto) in as good condition as when received, loss by fire or other casualty not the result of any act or omission of Lessee, or ordinary wear and tear only, excepted.

7.4 Nothing in this Section 7 shall be deemed to relieve Lessee from any liability which Lessee may have to Lessor under the terms of this Lease or otherwise, on account of any damage as may be caused to the Premises or the Building by the negligence or misconduct of Lessee or any of the Lessee Parties.

7.5 As used in this Section 7, "repair and maintenance" shall include repairs and replacements, and the standard shall be the good, clean and safe condition of a first class business park building in north suburban Atlanta, Georgia.

8. FORCE MAJEURE. In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive government laws or regulations, riots, insurrection, war, or other reason of a like nature other than finance not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of the delay. The provisions of this Section 8 shall not cancel, postpone, or delay the due date of any payment to be made by Lessee hereunder, nor operate to excuse Lessee from prompt payment of any Amount Due required by the terms of this Lease.

9. PROPERTY AND LIABILITY INSURANCE.

9.1 Throughout the Lease Term, Lessor will insure the Building (excluding foundations and excavations), the Building standard leasehold improvements, and the machinery, boilers, and equipment contained therein owned by Lessor (excluding any property Lessee is obliged to insure pursuant to Section 9.3 below) against damage by fire and the perils insured in the standard all risk coverage endorsement, subject to Section 4. Lessor shall also, throughout the Lease Term, carry public liability insurance with respect to the ownership and operation of the Building.

9.2 Lessee shall comply with all insurance regulations so the lowest fire, extended coverage, and liability insurance rates available for use of the Building as normal office space may be obtained by Lessor and will not use or keep any substance or material in or about the Premises which may vitiate or endanger the validity of insurance on the Building, increase the hazard or the risk beyond that for a normal business park building, or result in an increase in premium on the insurance on the Building. If any insurance policy upon the Premises or the Building or any part thereof shall be canceled or shall be threatened by the insurer to be canceled, the coverage thereunder reduced or threatened to be reduced, or the premium therefor increased or threatened to be increased in any way by the insurer by reason of the use and occupation of the Premises by Lessee or by any assignee or subtenant of Lessee and if Lessee fails to remedy the condition giving rise to the cancellation, reduction, or premium increase or threat thereof within twenty-four (24) hours after notice thereof by Lessor, Lessor may, at its option, do any one of the following:

9.2.1 Declare a default by Lessee, and thereupon the provisions of Section 12 shall apply; or

9.2.2 Enter upon the Premises and remedy the condition giving rise to the cancellation, reduction, or premium increase or threat thereof, and in such event, Lessee shall forthwith pay the cost thereof to Lessor as additional rent; and if Lessee fails to pay such cost, Lessor may declare a default by Lessee and thereupon the

provisions of Section 12 shall apply (Lessor shall not be liable for any damage or injury caused to any property of Lessee or of others located on the Premises as a result of the reentry); or

9.2.3 If the sole action taken by the insurer is to raise the premium or other monetary cost of the insurance, demand payment from Lessee of the premium or other cost as additional rent hereunder, and if Lessee fails to pay the increase to Lessor within ten (10) days of written demand by Lessor, Lessor may declare a default by Lessee and thereupon the provisions of Section 12 shall apply. Lessee acknowledges that it has no right to receive any proceeds from any insurance policies carried by Lessor and that such insurance will be for the sole benefit of Lessor with no coverage for Lessee for any risk insured against.

9.3 Lessee shall, during its occupancy of the Premises and during the entire Lease Term, at its sole cost and expense, obtain, maintain, and keep in full force and effect, and with Lessee, Lessor, and Lessor's mortgagees named as additional insureds therein as their respective interests may appear, the following types and kinds of insurance:

9.3.1 Upon property of every description and kind owned by Lessee and located in the Building or for which Lessee is legally liable or which was installed by or on behalf of Lessee, including, without limitation, furniture, fittings, installations, alterations, additions, partitions, and fixtures (excluding, however, those improvements, if any, installed by Lessor in accordance with Section 10.1 hereof), against all risk of loss in an amount not less than one hundred percent (100%) of the full replacement cost thereof;

9.3.2 Public liability insurance in an amount not less than $1,000,000.00 for any one occurrence or such higher limits as Lessor may reasonably require from time to time; the insurance shall include coverage against liability for bodily injuries or property damage arising out of the use by or on behalf of Lessee of owned, non-owned, or hired automobiles and other vehicles for a limit not less than that specified above; and shall also include coverage for "Fire Legal" liability with respect to the Premises in an amount not less than $100,000 or such higher limits as Lessor may reasonably require from time to time.

9.3.3 Workers' compensation insurance in the amount required by law to protect Lessee's employees; and

9.3.4 Any other form or forms of insurance that Lessor may reasonably require from time to time, in form, in amounts, and for insurance risks against which a prudent tenant would protect itself.

9.4 All insurance policies shall be taken out with companies acceptable to Lessor licensed and registered to operate in the State of Georgia and in form reasonably satisfactory to Lessor. The insurance may be by blanket insurance policy or policies. Lessee shall deliver certificates evidencing the insurance policies and any endorsement, rider, or renewal thereof, to Lessor. Certificates evidencing renewals shall be delivered to Lessor no later than fifteen (15) days after each renewal, as often as renewal occurs, and in no event less than fifteen (15) days prior to the date on which the policy would otherwise expire. All insurance policies shall require the insurer to notify Lessor and Lessor's mortgagees in writing thirty (30) days prior to any material change, cancellation, or termination thereof.

9.5 Lessor and Lessee hereby release the other from any and all liability or responsibility to the other or to anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any other perils insured or insurable (whether or not such insurance is obtained) in policies of fire and extended coverage insurance covering such property even if such loss or damage shall have been caused by the fault or negligence of the other party, or any one for whom such party may be responsible (other than acts, such as intentional wrongdoing or criminal conduct, that are not waived in the standard waiver of subrogation provision in commercial property insurance at the time of the loss or damage).

10. ALTERATIONS AND IMPROVEMENTS.

10.1 Lessor shall improve the Premises in accordance with working drawings to be approved by Lessee and Lessor prior to commencement of construction. Lessor shall have such work performed promptly, diligently and in a good and workmanlike manner. Lessor shall provide Lessee with an allowance (the "Allowance") of ONE MILLION SEVEN HUNDRED THIRTY-NINE THOUSAND FOUR HUNDRED AND NO/100 DOLLARS ($1,739,400.00) ($20.00 per rentable square foot) for the

design, supervision and construction of the improvements to the Premises in accordance with such drawings, including, without limitation, all costs of design, all costs of materials and labor to install such improvements, (Lessor will not charge an overhead and supervisory fee for initial design and construction), and Lessor will pay all such costs as and when incurred by Lessor on a timely basis to the extent of the Allowance. Lessor shall provide at Lessor's expense, the base Building improvements which include the slab, four exterior walls, roof, main sprinkler lines, standard window blinds, dock high loading doors, and exterior improvements, and does not include alteration of loading dock doors, striping parking on the truck court, mechanical systems, electrical distribution or plumbing (excepting main domestic water and sewer lines). If such costs should exceed the Allowance, then on the Commencement Date Lessee shall pay for all such costs in excess of the Allowance, except that Lessee may, by written notice delivered to Lessor no less than ten (10) days after approval of the plans and specifications by Lessee for any such improvement that would cause the Allowance to be exceeded, elect to amortize up to a total of (but not to exceed) $5.00 per rentable square feet of the Premises of such costs over the Lease Term at a factor of 11%, with such additional amount to be deemed so to increase the Annual Base Rental and Base Rent under the Lease. Any failure by Lessee so to give such notice shall be deemed an election to pay for such costs on the Commencement Date. Prior to the Lease Commencement Date, Lessor and Lessee will inspect the Premises to determine any deficiencies in construction of the improvements (the "Punch List") and Lessor will work diligently to correct; or start to correct, Punch List items within thirty (30) days following their disclosure. Lessor shall withhold ten percent (10%) of the Allowance from the general contractor until such time as the Punch List items have been completed.

10.1.1 The Lessor and Lessee agree to work diligently to complete final architectural, mechanical, electrical, plumbing, and finish schedule construction drawings by August 24, 1998 and, to price, permit, and issue a release for construction by August 31, 1998. The Lessor will make a reasonable effort to provide early access to the Premises for the purpose of installing telecommunications and computer network cabling, and to begin installation of modular furniture. In the event the Lessor has not received a complete set of construction drawings which have been approved, permitted and released for construction by Lessee by August 31, 1998, then the extent of the delay from said date shall correspondingly delay those dates included in Section 1 and Section 22 hereof. Any such delays other than those prescribed in Section 22 shall not extend or delay the payment of Base Rent as prescribed in Section 2.1.

10.1.2 Any contractor/supplier warranties applying to work or materials performed by Lessor on behalf of Lessee shall be assigned to Lessee.

10.1.3 Lessor and Lessee will cooperatively work together with the contractor to timely satisfy any punch list items which have not been completed prior to the Commencement Date.

10.2 Lessee shall not make any alterations, additions, or improvements in or to the Premises, nor install or attach fixtures in or to the Premises, without the prior written consent of Lessor, which consent Lessor shall not unreasonably withhold, delay or condition. All alterations, additions, or improvements made, installed in, or attached to the Premises by Lessee, upon the consent specified above, shall be made at Lessee's expense in a good and workmanlike manner, strictly in accordance with the plans and specifications approved by Lessor, all applicable laws, ordinances, regulations, and other requirements of any appropriate governmental authority, and any applicable covenants or other restrictions. Prior to the commencement of any such work, Lessee shall deliver to Lessor certificates issued by insurance companies licensed and registered to operate in the State of Georgia evidencing that workers' compensation insurance and public liability insurance, all in amounts satisfactory to Lessor, are in force and effect and maintained by all contractors and subcontractors engaged by Lessee to perform the work.

10.3 Lessee shall keep the Premises free from all liens, preliminary notices of liens, right to liens, or claims of liens of contractors, subcontractors, mechanics, or materialmen for work done or materials furnished to the Property at the request of Lessee. Whenever and so often as any such lien shall attach or claims or notices thereof shall be filed against the Property or any part thereof as a result of work done or materials furnished to the Property at the request of Lessee, Lessee shall, within ten (10) days after

Lessee has notice of the claim or notice of lien, cause it to be discharged of record, which discharge may be accomplished by deposit or bonding proceedings. If Lessee shall fail to cause the lien, or such claim or notice thereof, to be discharged within the ten-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge it either by paying the amount claimed to be due or by procuring the discharge of the lien, or claim or notice thereof, by deposit or bonding proceedings. Any amount so paid by Lessor and all costs and expenses, including, without limitation, attorneys' fees, incurred by Lessor in connection therewith shall constitute additional rent payable by Lessee under this Lease and shall be paid by Lessee in full on demand of Lessor together with interest thereon at the rate set forth in Section 2.2 hereof from the date it was paid by Lessor. Lessee shall not have the authority to subject the interest or estate of Lessor to any liens, rights to liens, or claims of liens for services, materials, supplies, or equipment furnished to Lessee, and all persons contracting with Lessee are hereby charged with notice that they must look to Lessee and to Lessee's interest only to secure payment.

10.4 All alterations, additions, or improvements, including, but not limited to, fixtures, partitions, counters, and window and floor coverings, which may be made or installed by either of the parties hereto upon the Premises, irrespective of the manner of annexation, and irrespective of which party may have paid the cost thereof, excepting only movable office furniture and shop equipment put in at the expense of Lessee, shall be the property of Lessor, and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or other termination of this Lease, without disturbance, molestation, or injury. Notwithstanding the foregoing, however, Lessor may elect that any or all installations made or installed by or on behalf of Lessee be removed at the end of the Lease Term, and, if Lessor so elects, it shall be Lessee's obligation to restore the Premises to the condition they were prior to the alterations, additions, or improvements on or before the expiration or other termination of this Lease. Such removal and restoration shall be at the sole expense of Lessee. Further, notwithstanding anything contained herein to the contrary except as otherwise provided in Section 9.3.1 hereof, Lessor shall be under no obligation to insure the alterations, additions, or improvements or anything in the nature of a leasehold improvement made or installed by or on behalf of Lessee, the Lessee Parties, or any other person, and such improvements shall be on the Premises at the risk of Lessee only.

10.5 In the event Lessor makes any capital investment, major structural repairs or improvements in or to the Premises or Building which are required due to any act or omission of Lessee or any of the Lessee Parties, any and all cost and expenses incurred by Lessor in making the capital investment, major structural repairs, or improvements shall constitute additional rent payable by Lessee under this Lease and shall be paid by Lessee in full on demand of Lessor, together with interest thereon from the date of the demand at the rate set forth in Section 2.2 hereof.

11. ASSIGNMENT OR SUBLETTING.

11.1 Lessee shall not assign this Lease, or any interest herein, or sublet or allow any other person, firm, or corporation to use or occupy the Premises, or any part thereof, without the prior written consent of Lessor, which consent will not be unreasonably withheld or delayed. Lessor shall have the right to make such investigations as it deems reasonable and necessary in determining the acceptability of the proposed assignee or subtenant. Such investigations may include inquiries into the financial background, business history, capability of the proposed assignee or subtenant in its line of business, and the quality of its operations. Under no circumstances shall Lessor be obligated to consent to the assignment of this Lease or the subletting of the Premises to any entity whose operations violate the restrictive covenants described in Section 26 hereof. Lessee shall provide to Lessor such information as Lessor may reasonably require to enable it to determine the acceptability of the proposed assignee or subtenant, including information concerning all of the foregoing matters, and Lessor shall have no obligation to consent to any assignment or subletting unless it has received from Lessee (at no cost or expense to Lessor) the most recent audited financial statements of the proposed assignee or subtenant, a copy of the proposed sublease or assignment agreement (to be followed by a copy of the fully executed agreement upon execution), and such other information as Lessor reasonably

requires. For purposes of this Section 11, the acquisition by any person or entity of more than fifty percent (50%) of the outstanding and issued voting stock of Lessee shall be deemed an assignment within the meaning of and be governed by this Section. No assignment or subletting (with or without the consent of Lessor) shall release Lessee from its obligations under this Lease nor shall Lessee permit this Lease or any interest herein or in the tenancy hereby created to become vested in or owned by any other person, firm, or corporation by operation of law or otherwise. The power of Lessor to give or withhold its consent to any assignment or subletting shall not be exhausted by the exercise thereof on one or more occasions, but shall be a continuing right and power with respect to any type of transfer, assignment or subletting.

11.2 If Lessee shall assign this Lease or sublet the Premises in any way not authorized by the terms hereof, the acceptance by Lessor of any Amount Due from any person claiming as assignee, sublessee, or otherwise shall not be construed as a recognition of or consent to the assignment or subletting or as a waiver of the right of Lessor thereafter to collect any rent from Lessee, it being agreed that Lessor may at any time accept any Amount Due under this Lease from any person offering to pay it without thereby acknowledging the person so paying as a lessee in place of Lessee herein named, and without releasing Lessee from the obligations of this Lease, and without recognizing the claims under which such person offers to pay any Amount Due, but it shall be taken to be a payment on account by Lessee.

12. DEFAULTS.

12.1 In the event that (I) Lessee shall fail to pay the Base Rent or any other Amount Due for more than five (5) days after Lessor's written notice of such failure, or (ii) Lessee shall fail to comply with any of the terms, covenants, conditions, or agreements herein contained or any of the rules and regulations now or hereafter established for the government of the Building and such failure to comply continues for ten (10) days after Lessor's written notice to Lessee thereof, or (iii) Lessee shall fail for more than thirty (30) days after written notice thereof from Lessor to Lessee to comply with any term, provision, condition or covenant of any other agreement between Lessor and Lessee; or shall not have diligently undertaken to cure the cause of default; then Lessor shall have the option, but not the obligation, to do any one or more of the following in addition to, and not in limitation of, any other remedy permitted by law, in equity or by this Lease:

12.1.1 Terminate this Lease, in which event Lessee shall surrender the Premises to Lessor immediately upon expiration of ten (10) days from the date of the service upon Lessee of written notice to that effect, without any further notice or demand. In the event Lessor shall become entitled to the possession of the Premises by any termination of this Lease herein provided, and Lessee shall refuse to surrender or deliver up possession of the Premises after the service of such notice, then Lessor may, without further notice or demand, enter into and upon the Premises, or any part thereof, and take possession of and repossess the Premises as Lessor's former estate, and expel, remove, and put out of possession Lessee and its effects, using such help, assistance and force in so doing as may be needful and proper, without being liable for prosecution or damages therefor, and without prejudice to any remedy allowed by law available in such cases. Lessee shall indemnify Lessor for all loss, cost, expense, and damage which Lessor may suffer by reason of the termination, whether through inability to relet the Premises, or through decrease in rent or otherwise. In the event of such termination, Lessor may, at its option, recover forthwith as damages a sum of money equal to the total of (a) the cost of recovering the Premises (including, without limitation, attorneys' fees and cost of suit), (b) the unpaid rent earned at the time of termination, plus late charges and interest thereon at the rate specified in Section 2.2 hereof, (c) the present value (discounted at the rate of 8% per annum) of the balance of the rent for the remainder of the Lease Term less the present value (discounted at the same rate) of the fair market rental value of the Premises for said period, and (d) any other sum of money and damages owed by Lessee to Lessor.

12.1.2 Without terminating this Lease, retake possession of the Premises and rent the Premises, or any part thereof, for such term or terms and for such rent and upon such conditions as Lessor may, in its sole discretion, think best, making such changes, improvements, alterations, and repairs to the Premises as may be required. All rent received by Lessor from any reletting shall be applied first to the payment of any indebtedness other than rent due hereunder from Lessee; second, to the payment of any costs and expenses of the reletting, including but not limited

to brokerage fees, attorneys' fees and costs of such changes, improvements, alterations, and repairs; third, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied in payment of future rent or damage as they may become due and payable hereunder. If the rent received from the reletting during the Lease Term is at any time insufficient to cover the costs, expenses, and payments enumerated above, Lessee shall pay any deficiency to Lessor, as often as it shall arise, on demand.

12.1.3 Correct or cure the default and recover any amount expended in so doing, together with interest thereon until paid.

12.1.4 Recover any and all costs incurred by Lessor arising out of or resulting from the default, including but not limited to reasonable attorneys' fees.

12.2 In addition to any other rights which Lessor may have, Lessor, in person or by agent, may enter upon the Premises and take possession of all or any part of Lessee's property in the Premises, and may sell all or any part of such property at a public or private sale, in one or successive sales, with or without notice, to the highest bidder for cash, and, on behalf of Lessee, sell and convey all or part of the property to the highest bidder, delivering to the highest bidder all of Lessee's title and interest in the property sold to him. The proceeds of the sale of the property shall be applied by Lessor toward the reasonable costs and expenses of the sale, including, without limitation, attorneys' fees, and then toward the payment of all sums then due by Lessee to Lessor under the terms of this Lease. Any excess remaining shall be paid to Lessee or any other person entitled thereto by law. Such sale shall bar Lessee's right of redemption.

12.3 In the event of a default under this Lease by Lessee, Lessor shall be entitled to all equitable remedies, including, without limitation, injunction and specific performance.

12.4 Pursuit of any of the remedies herein provided shall not preclude the pursuit of any other remedies herein provided or any other remedies provided at law or in equity. Failure by Lessor to enforce one or more of the remedies herein provided shall not be deemed or construed to constitute a waiver of any default, or any violation or breach of any of the terms, provisions, or covenants herein contained.

13. BANKRUPTCY. The filing or preparation for filing by or against Lessee of any petition in bankruptcy, insolvency, or for reorganization under the Federal Bankruptcy Code, any other federal or state law now or hereafter relating to insolvency, bankruptcy, or debtor relief, or an adjudication that Lessee is insolvent, bankrupt, or an issuance of an order for relief with respect to Lessee under the Federal Bankruptcy Code, any other federal or state law now or hereafter relating to insolvency, bankruptcy, or debtor relief, or the execution by Lessee of a voluntary assignment for the benefit of, or a transfer in fraud of, its general creditors, or the failure of Lessee to pay its debts as they mature, or the levying on under execution of the interest of Lessee under this Lease, or the filing or preparation for filing by Lessee of any petition for a reorganization under the Federal Bankruptcy Code, or for the appointment of a receiver or trustee for a substantial part of Lessee's assets or to take charge of Lessee's business, or of any other petition or application seeking relief under any other federal or state laws now or hereafter relating to insolvency, bankruptcy, or debtor relief, or the appointment of a receiver or trustee for a substantial part of Lessee's assets or to take charge of Lessee's business, shall automatically constitute a default in this Lease by Lessee for which Lessor may, at any time or times thereafter, at its option, exercise any of the remedies and options provided to Lessor in Section 12 hereof; provided, however, that if such petition be filed by a third party against Lessee, and Lessee desires in good faith to defend against the petition and is not in any way in default of any obligation hereunder at the time of filing the petition, and Lessee within ninety (90) days thereafter procures a final adjudication that it is solvent and a judgment dismissing the petition, then this Lease shall be fully reinstated as though the petition had never been filed. In the event Lessor elects to terminate this Lease as provided for in this Section, Lessee shall pay forthwith to Lessor as liquidated damages, the difference between the unpaid rent reserved in this Lease at the time of such termination and the then reasonable rental value of the Premises for the balance of the Lease Term, and

Lessee acknowledges that said sum is reasonable and shall not be construed as a penalty.

14. DAMAGE AND CONDEMNATION.

14.1 In the event during the Lease Term the Premises are damaged by fire or other casualty, but to such an extent that repairs and rebuilding can reasonably be completed within one hundred twenty (120) days of the date of the event causing the damage, Lessor may, at Lessor's option within sixty (60) days of such event, elect to repair and rebuild the Premises. If Lessor elects to repair and rebuild the Premises, this Lease shall remain in full force and effect, but Lessor may require Lessee temporarily to vacate the Premises while they are being repaired and, subject to the provisions of this Section 14.1, rent shall abate during this period to the extent that the Premises are untenantable; provided, however, that Lessor shall not be liable to Lessee for any damage or expense which temporarily vacating the Premises may cause Lessee. If the Premises are not repaired, rebuilt, or otherwise made suitable for occupancy by Lessee within the aforesaid one hundred twenty (120) day period, Lessee shall have the right, by written notice to Lessor within ten (10) days of such period, to terminate this Lease, in which event rent shall be abated for the unexpired Lease Term, effective as of the date of the written notification, but the other terms and conditions of this Lease shall continue and remain in full force and effect until Lessee shall have vacated the Premises, removed all Lessee's personal property therefrom and delivered peaceable possession thereof to Lessor. If within the aforesaid sixty (60) day period Lessor elects not to repair and rebuild the Premises or if the Building or any part thereof be so damaged that the Premises are untenantable and in Lessor's reasonable opinion, which shall be given to Lessee within thirty (30) days of such casualty, the repairs and rebuilding cannot be completed within one hundred twenty (120) days of the date of the event causing the damage, then within fourteen (14) days of Lessee's receipt of Lessor's opinion that such rebuilding cannot be completed within one hundred twenty (120) days, Lessor or Lessee may by seven (7) days' written notice to the other terminate this Lease in which event rent shall be abated for the unexpired Lease Term, effective as of the date of the written notification, but the other terms and conditions of this Lease shall continue and remain in full force and effect until Lessee shall have vacated the Premises, removed all Lessee's personal property therefrom and delivered peaceable possession thereof to Lessor. Failure by Lessee to comply with any provision of this Section 14.1 shall subject Lessee to such costs, expenses, damages, and losses as Lessor may incur by reason of Lessee's breach hereof. Notwithstanding any provision of this Lease to the contrary, if the Premises, the Building, or any part thereof are damaged by fire or other casualty caused by or materially contributed to by the gross negligence or wilfull misconduct of Lessee or any of the Lessee Parties, Lessee shall be fully responsible, to the extent not covered by insurance, for repairing, restoring, or paying for the damage as Lessor shall direct and this Lease shall remain in full force and effect without reduction or abatement of rent.

14.2 In the event the Building shall be taken, in whole or in part, by condemnation or the exercise of the right of eminent domain, or if in lieu of any formal condemnation proceedings or actions, if any, Lessor shall sell and convey the Premises, or any portion thereof, to the governmental or other public authority, agency, body, or public utility, seeking to take the Premises, the Property or any substantial portion thereof which would materially adversely affect Lessee's use and occupancy of the Building, then Lessor, at its option, may terminate this Lease upon twenty (20) days' prior written notice to Lessee and prepaid rent shall be proportionately refunded from the date of possession by the condemning authority. Lessor shall notify Lessee of the commencement of any such condemnation proceeding within fourteen (14) days of Lessor's becoming aware of the same. All damages awarded for the taking, or paid as the purchase price for the sale and conveyance in lieu of formal condemnation proceedings, whether for the fee or the leasehold interest, shall belong to and be the property of Lessor; provided, however, Lessee shall have the sole right to reclaim and recover from the condemning authority, but not from Lessor, such compensation as may be separately awarded or recoverable by Lessee in Lessee's own right on account of any and all costs or loss (including loss of business) to which Lessee might be put in removing Lessee's merchandise, furniture, fixtures, leasehold improvements, and equipment to a new location. Lessee shall execute and deliver any instruments, at the expense of Lessor, that Lessor may deem necessary to expedite any condemnation proceedings, to effectuate a proper transfer of title to such governmental or other public authority, agency,

body or public utility seeking to take or acquire the lands and Premises, or any portion thereof. Lessee shall vacate the Premises, remove all Lessee's personal property therefrom and deliver up peaceable possession thereof to Lessor or to such other party designated by Lessor in the aforementioned notice. Failure by Lessee to comply with any provisions of this Section 14.2 shall subject Lessee to such costs, expenses, damages, and losses as Lessor may incur by reason of Lessee's breach hereof. If Lessor chooses not to terminate this

Lease, then to the extent and availability of condemnation proceeds received by Lessor and subject to the rights of any mortgagee thereto, Lessor shall, at the sole cost and expense of Lessor and with due diligence and in a good and workmanlike manner, restore and reconstruct the Premises within one hundred twenty (120) days after the date of the physical taking, and such restoration and reconstruction shall make the Premises reasonably tenantable and suitable for the general use being made by Lessee prior to the taking; provided, however, that Lessor shall have no obligation to restore and reconstruct Lessee's leasehold improvements unless and to the extent that Lessor receives an award of condemnation proceeds specifically designated as compensation for such improvements. Notwithstanding the foregoing, if Lessor has not completed the restoration and reconstruction within one hundred twenty (120) days after the date of physical taking, Lessee, in addition to any other rights and remedies Lessee may have, shall have the right to cancel this Lease. If this Lease continues in effect after the physical taking, the rent payable hereunder shall be equitably adjusted both during the period of restoration and reconstruction and during the unexpired portion of the Lease Term.

14.3 In the event Lessor, during the Lease Term, shall be required by any governmental authority or the order or decree of any court, to repair, alter, remove, reconstruct, or improve (hereinafter collectively called "Repairs") any part of the Premises, then the Repairs may be made by and at the expense of Lessor (unless resulting from alterations made by Lessee) and shall not in any way affect the obligations or covenants of Lessee herein contained, and Lessee hereby waives all claims for damages or abatement of rent because of the Repairs. If the Repairs shall render the Premises untenantable and if the Repairs are not completed within one hundred twenty (120) days after the date of the notice, requirement, order, or decree, either party hereto upon written notice to the other party given not later than one hundred thirty (130) days after the date of the notice, requirement, order, or decree, may terminate this Lease, in which case rent shall be apportioned and paid to the date the Premises were rendered untenantable; provided however that where the requirement by a governmental authority having jurisdiction to repair, alter, remove, reconstruct, or improve any part of the Premises arises out of any act or omission by Lessee, then the Repairs shall be effected promptly at the sole cost and expense of Lessee and there shall not, in any event, be any abatement of rent nor any right in Lessee to terminate this Lease whether or not the completion of the Repairs takes more than one hundred twenty (120) days.

15. TAXES.

15.1 Subject to Lessee's obligation to pay its Proportionate Share thereof as a Shared Expense, Lessor shall pay all taxes, assessments and other governmental charges, general or special, ordinary or extraordinary, foreseen or unforeseen, including any installments thereof (herein called "Impositions"), levied, assessed or otherwise imposed by any lawful authority or payable with respect to the Land or the Building.

15.2 If at any time during the Lease Term the methods of taxation prevailing at the Commencement Date shall be altered so that in lieu of, or as a substitute for, the whole or any part of the taxes, assessments, levies, impositions or charges now levied, assessed or imposed on real estate and the improvements thereon, there shall be levied, assessed or imposed a tax, assessment, levy, fee or other charge: (I) on or measured by the rents received therefrom; (ii) measured by or based in whole or in part upon the Premises and imposed upon Lessor; or (iii) measured by the rent payable by Lessee under this Lease, then all such taxes, assessments, levies, impositions, charges or fees or the part thereof so measured or based, shall be deemed to be included within the definition of "Impositions". The tax, levy, or other imposition to which reference is made hereinabove shall include sales, excise or similar taxes, but shall not include any net income, franchise, estate or inheritance taxes imposed on Lessor.

15.3 In the event that a tax or assessment attributable to environmental protection legislation, as distinguished from a tax or assessment in the nature of a real estate property tax, is imposed upon Lessor by a governmental authority having jurisdiction over the Land, which tax or assessment is attributable to a portion of the Common Area being parking facilities available to the Lessee, its servants, agents, employees, invitees, licensees, contractors or subcontractors, such tax or assessment shall be included within the definition of "Impositions".

15.4 On behalf of Lessor and at Lessee's sole cost and expense, Lessee may contest any assessment or the imposition of any Tax against the Land or the Building. Lessor agrees to execute appeals, petitions, suit papers and other documents legally necessary in connection with any such contest and, at no expense to Lessor, to cooperate reasonably in such proceedings, all upon Lessee's written request. During any such contest, Lessee shall take all steps legally necessary, including payments under protest, to prevent foreclosure and public sale or other divesting of Lessor's title by reason of nonpayment of taxes.

16. LIABILITY OF LESSOR.

16.1 Except in the event of Lesser's negligence or willful misconduct and subject to Section 9.5 hereof, Lessee shall indemnify, defend, and hold harmless Lessor, at Lessee's expense, against (a) any default by Lessee or permitted assignee or subtenant hereunder; (b) any act or negligence of Lessee or any of the Lessee Parties; and (c) all claims for damages to persons or property by reason of the use or occupancy of the Premises not caused by Lessor. Lessee shall not be liable to Lessor, or Lessor's agents, servants, employees, contractors, customers or invitees for any damage to person or property caused by any act, omission or neglect of Lessor, its agents, servants or employees. Moreover, Lessor shall not be liable for any damage, injury, destruction, or theft to or of the Premises, the personal property of Lessee or any of the Lessee Parties, Lessee, or any of the Lessee Parties arising from any use of the Premises, or any sidewalks, entranceways, or parking areas serving the Premises, or the act or neglect of co-tenants or any other person, or the malfunction of any equipment or apparatus serving the Premises, or any loss thereof by mysterious disappearance or otherwise.

16.2 Lessee expressly agrees to look solely to Lessor's interest in the Property for the recovery of any judgment against Lessor, it being agreed that Lessor (and its partners and shareholders) shall never be personally liable for any such judgment. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors-in-interest.

17. RIGHT OF ENTRY.

17.1 After reasonable notice to Lessee (except in case of an emergency) Lessor reserves the right, for itself, its mortgagees, or their respective agents and duly authorized representatives, to enter and be upon the Premises at any time and from time to time to inspect the Premises and to repair, maintain, alter, improve, and remodel, but Lessor shall not materially interfere with Lessee's normal operation Lessee shall not be entitled to any compensation, damages, or abatement or reduction in rent on account of any such repairs, maintenance, alterations, improvements or remodeling. Except as otherwise provided in this Lease, nothing contained in this Section 17.1 shall imply any duty on the part of Lessor to repair, maintain, alter, improve, or remodel.

17.2 After reasonable notice to Lessee, Lessee shall permit Lessor or Lessor's agents at any reasonable hour of the day to enter into or upon and go through and view the Premises and to exhibit the Premises to prospective purchasers or tenants.

18. BUILDING RULES AND REGULATIONS. Lessor reserves the right to establish reasonable rules and regulations pertaining to the use and occupancy of the Building, which rules and regulations may be changed by Lessor from time to time, and shall be uniformly applicable to all tenants in the Building. Lessee shall comply with any rules and regulations established by Lessor pursuant to this Section 18.

19. PROPERTY LEFT ON THE PREMISES. Upon the expiration of this Lease, or if

the Premises should be abandoned by Lessee, or if this Lease should terminate for any cause, or if Lessee should be dispossessed after default, if at the time of any such expiration, abandonment, termination or dispossession, Lessee or its assignees, subtenants, agents, servants, employees, contractors, or any other person controlled by Lessee or claiming under Lessee should leave any property of any kind or character in or upon the Premises, such property shall be the property of Lessor and the fact of such leaving of property in or upon the Premises shall be conclusive evidence of the intent by Lessee or such person to abandon such property so left in or upon the Premises, and such leaving shall constitute abandonment

of the property. It is understood and acknowledged by the parties hereto that none of Lessor's servants, agents or employees, have or shall have the actual or apparent authority to waive any portion of this Section 19, and neither Lessee nor any other person designated above shall have any right to leave any such property upon the Premises beyond the time set forth herein without the written consent of Lessor. Lessor, its agents or attorneys, shall have the right and authority without notice to Lessee or anyone else, to remove and destroy, store, sell or otherwise dispose of, such property, or any part thereof, without being in any way liable to Lessee or anyone else therefor. Lessee shall be liable to Lessor for all reasonable and necessary expenses incurred in such removal and destruction, storage, sale or other disposition of such property. The said property removed or the proceeds from the sale or other disposition thereof shall belong to the Lessor as compensation for the removal and disposition of said property.

20. OTHER INTERESTS.

20.1 This Lease and Lessee's interest hereunder shall at all times be subject and subordinate to the lien and security title of any deeds to secure debt, deeds of trust, mortgages, or other interests heretofore or hereafter granted by Lessor or which otherwise encumber or affect the Premises and to any and all advances to be made thereunder and to all renewals, modifications, consolidations, replacements, substitutions, and extensions thereof (all of which are hereinafter called the "Mortgage"); provided, however, that this subordination shall be effective if, and only if, the holder of any such Mortgage shall execute a subordination, non-disturbance and attornment agreement in a form reasonably satisfactory to Lessee agreeing that Lessee's rights to occupy the Premises in accordance with the terms of this Lease shall not be disturbed following foreclosure or delivery of a deed in lieu of foreclosure unless Lessee is in default of its obligations hereunder beyond applicable notice and cure periods. As of the date hereof, no Mortgage presently encumbers the Building. In confirmation of such subordination, however, Lessee shall, at Lessor's request, promptly execute, acknowledge, and deliver any instrument which may be required to evidence subordination to any Mortgage and, to the holder thereof, and, in the event of a failure so to do, Lessor may, in addition to any other remedies for breach of covenant hereunder, execute, acknowledge, and deliver the instrument as the agent or attorney-in-fact of Lessee, and Lessee hereby irrevocably constitutes Lessor its attorney-in-fact for such purpose, Lessee acknowledging that the appointment is coupled with an interest and is irrevocable. Lessee hereby waives and releases any claim it might have against Lessor or any other party for any actions lawfully taken by the holder of any Mortgage.

20.2 In the event of a sale or conveyance by Lessor of Lessor's interest in the Premises other than a transfer for security purposes only, Lessor shall be relieved, from and after the date of transfer, of all obligations and liabilities accruing thereafter on the part of Lessor, provided that any funds in the hands of Lessor at the time of transfer in which Lessee has an interest shall be delivered to the successor of Lessor. This Lease shall not be affected by any such sale and Lessee shall attorn to the purchaser or assignee.

20.3 In the event of the enforcement by the holder of any Mortgage, Lessee will, upon request of any person or party succeeding to the interest of said holder, as a result of such enforcement, automatically become the Lessee of such successor in interest without change in the terms or provisions of this Lease; provided, however, that such successor in interest shall not be (w) bound by any prepayment by Lessee to Lessor of Base Rental or additional rent or advance rent for a period of more than one month in advance), and all such rent shall remain due and owing notwithstanding such advance payment, (x) liable for

any act or omission of any prior lessor (including Lessor) or be subject to any offsets, defenses or termination rights of Lessee relating solely to any prior lessor; (y) bound by any amendment or modification of this Lease made without the written consent of such holder; or (z) personally liable for monetary damages arising from a breach under the Lease after such enforcement, the sole recourse of Lessee against such successor in interest on account of such breach being limited (to the extent of any judgment obtained for monetary damages) to such successor in interest's interest in the Property. Notwithstanding anything contained in this Lease to the contrary, in the event of any default by Lessor in performing its covenants or obligations hereunder which would give Lessee the right to terminate this Lease, Lessee shall not exercise such right unless and until (aa) Lessee gives written notice of such default (which notice shall specify the exact nature of said default and how the same may be cured) to any holder(s) of any such mortgage, deed of trust or deed to secure debt who has theretofore notified Lessee in writing of its interest and the address to which notices are to be sent, and (bb) said holder(s) fail to undertake action

to cure said default within thirty (30) days from the giving of such notice by Lessee. The provisions of Section 20 shall govern the manner and effective date of any notice to be given by Lessee to any such parties.

21. LANDLORD'S LIEN. All property of Lessee now or subsequently located upon the Premises during the Lease Term shall be held and bound by a lien for payment of rent, damages and all other payments required to be made by Lessee under this Lease, and for full performance of all agreements to be performed by Lessee hereunder.

22. DELAYED POSSESSION. If Lessor shall fail to deliver to Lessee actual possession of the Premises by the Commencement Date, as adjusted under Section 1, then rent shall abate until possession is given, but Lessor shall not be liable to Lessee for such failure, and the Commencement Date shall become the date on which possession is given. Notwithstanding the foregoing, however, if the Premises are not available for occupancy by Lessee on the date that is sixty (60) days after the Commencement Date, as adjusted, this Lease shall be voidable by either party, and if voided, all payments made to Lessor by Lessee hereunder, if any, shall be immediately refunded to Lessee by Lessor; provided, however, that such date shall be extended to the extent that construction is delayed by any of the reasons set forth in Section 8 or other conditions beyond Lessor's control or by amendments to the working drawings for the improvements to the Premises requested by Lessee. The Premises shall be "available for occupancy" when a Certificate of Occupancy has been issued for the Premises.

23. HOLDING OVER. There shall be no renewal, extension, or reinstatement of this Lease by operation of law. In the event of holding over by Lessee after the expiration or sooner termination of this Lease, with Lessor's acquiescence and without any express agreement of the parties, Lessee shall be a tenant at sufferance and all of the terms, covenants, and conditions of this Lease shall be applicable during that period, except that Lessee shall pay Lessor as Base Rent for the period of the hold over an amount equal to one and one-half times the Base Rent which would have been payable by Lessee under Section 2.1 hereof, as adjusted, had the hold-over period been part of the original Lease Term, together with all additional rent due hereunder and together with any other Amount Due under this Lease. The rent payable by Lessee during the hold-over period shall be payable to Lessor on demand. If Lessee holds over as a tenant at sufferance, Lessee shall vacate and deliver the Premises to Lessor upon demand. In the event Lessee fails to surrender the Premises to Lessor upon expiration or other termination of this Lease or of such tenancy at sufferance, then Lessee shall indemnify Lessor against any and all loss or liability resulting from any delay of Lessee in surrendering the Premises, including, but not limited to, any amounts required to be paid to third parties who were to have occupied the Premises and any attorneys' fees related thereto.

24. NO WAIVER. Lessee understands and acknowledges that no assent, express or implied, by Lessor to any breach of any one or more of the terms, covenants or conditions hereof shall be deemed or taken to be a waiver of any succeeding or other breach, whether of the same or any other term, covenant or condition hereof.

25. BINDING EFFECT. All terms and provisions of this Lease shall be binding upon and apply to the successors, permitted assigns, and legal representatives of Lessor and Lessee or any person claiming by, through, or under either of them

or their agents or attorneys, subject always, as to Lessee, to the restrictions contained in Section 11 hereof.

26. COMPLIANCE WITH PROTECTIVE COVENANTS. In addition to and without in any way limiting any of the other provisions of this Lease, Lessee shall comply with any protective covenants now or hereafter of record against the Building or the Property and with any changes to the covenants duly adopted. It is expressly acknowledged that all uses of the Building and Premises are subject to the covenants, conditions and restrictions of Forsyth County filed at Deed Book 578, Page 504, Forsyth County, Georgia, records, as amended and extended.

27. SIGNS. Lessee shall not install, paint, display, inscribe, place, or affix any sign, picture, advertisement, notice, lettering, or direction (hereinafter collectively called "Signs") on the exterior of the Premises, the Common Areas of the Building, the interior surface of glass and any other location which could be visible from outside of the Premises without first securing written consent from Lessor therefor. Any Sign permitted by Lessor shall at all times conform

with all municipal ordinances or other laws, regulations, deed restrictions, and protective covenants applicable thereto. Lessee shall remove all Signs at the expiration or other termination of this Lease, at Lessee's sole risk and expense, and shall in a good and workmanlike manner properly repair any damage caused by the installation, existence, or removal of Lessee's Signs. Lessee shall have the right to place its corporate name on the Building monument sign, which sign face will be shared with other Building tenants. The signage will be subject to approval from the Johns Creek architectural design review committee.

28. INTENTIONALLY DELETED.

29. ESTOPPEL CERTIFICATE. Lessee shall, at any time and from time to time, upon not less than ten (10) business days' prior written notice from Lessor, execute, acknowledge, and deliver to Lessor a statement in writing certifying that this Lease is unmodified and in full force and effect (or if modified, stating the nature of the modification and certifying that this Lease, as so modified, is in full force and effect) and the dates to which the rent and other charges are paid, and acknowledging that Lessee is paying rent on a current basis with no offsets or claims, and that there are not, to Lessee's knowledge, any uncured defaults on the part of Lessor hereunder (or specifying the offsets, claims, or defaults, if any are claimed), and such other information (including but not limited to the most recent financial statements) reasonably required by Lessor. It is expressly understood and acknowledged that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Property or by any other person to whom it is delivered.

30. SEVERABILITY. The terms, conditions, covenants, and provisions of this Lease shall be deemed to be severable. If any clause or provision herein contained shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity of any other clause or provision herein, but the other clauses or provisions shall remain in full force and effect.

31. ENTIRE AGREEMENT. Lessee acknowledges that there are no covenants, representations, warranties, or conditions, express or implied, collateral or otherwise, forming part of or in any way affecting or relating to this Lease save as expressly set out in this Lease and that this Lease together with the Exhibits attached hereto constitutes the entire agreement between the parties hereto and may not be modified except as herein explicitly provided or except by subsequent agreement in writing of equal formality hereto executed by Lessor and Lessee.

32. CUMULATIVE REMEDIES. In the event of any default, breach, or threatened breach by Lessee of any of the covenants or provisions hereto, Lessor shall, in addition to all other remedies as provided by this Lease, have the right of injunction and/or damages and the right to invoke any remedy allowed at law or in equity, and may have any one or more of the remedies contemporaneously. The various rights, remedies, powers, options, and elections of Lessor reserved, expressed, or contained in this Lease are cumulative and no one of them shall be deemed to be exclusive of the others, or of such other rights, remedies, powers, options, or elections as are now, or may hereafter, be conferred upon Lessor by law.

33. PARKING AREAS AND COMMON AREA CONTROL.

33.1 Lessee acknowledges and agrees that the common areas of the Building including, without limiting the generality of the foregoing, lawns, gardens, parking areas, sidewalks, driveways, foyers, hallways, washrooms, and stairwells not within the Premises shall at all times be subject to the exclusive control and management of Lessor. Lessor shall have the right to change the area, level, location, and arrangement of common areas so long as in so doing Lessor does not materially and adversely affect ingress to and egress from the Building or the Premises.

33.2 Lessee and the Lessee Parties shall not use more than Lessee's proportionate share of the parking spaces in the parking areas made available to the Building by Lessor. Lessee covenants and agrees to fully cooperate with Lessor in the enforcement of any program of rules and regulations designed for the orderly control and operation of parking areas. It is expressly understood that Lessee will only require one loading dock to serve the Premises, and that the truck loading area to the rear of the Building will be available for use as a parking area, and Lessee's

proportionate share of parking shall be agreed to be four (4) parking spaces per 1,000 usable square feet of leased space (being 334 spaces).

34. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the United States mail, return receipt requested, addressed to the parties at the respective addresses set out below:

If to Lessee: Prior to the Commencement Date:

SQL Financials International, Inc.
3950 Johns Creek Court
Suite 100
Suwanee, Georgia 30174
Attn: Chief Financial Officer

After the Commencement Date:

SQL Financials International, Inc.
3970 Johns Creek Court
Suite _____
Suwanee, Georgia 30174
Attn: Chief Financial Officer

If to Lessor: Technology Park/Atlanta, Inc.
Suite 150
11555 Medlock Bridge Road
Duluth, Georgia 30097
Attention: President

or to such other addresses as the parties may direct from time to time by thirty (30) days' written notice. However, the time period in which a response to any notice, demand, or request must be given, if any, shall commence to run from the date of receipt of the notice, demand, or request by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand, or request sent. Lessee hereby appoints as its agent to receive service of all dispossessory or distraint proceedings and notices in connection therewith, the person in charge of or occupying the Premises at the time; and if no person is in charge of or occupying the Premises, then the service or notice may be made by attaching it on the main entrance to the Premises and on the same day enclosing, directing, stamping, and marking by first class mail a copy of the service or notice to Lessee at the last known address of Lessee.

35. RECORDING. Neither this Lease nor any portion hereof shall be recorded unless both parties hereto agree to the recording.

36. ATTORNEYS' FEES. Lessee or Lessor agrees to pay the other party's

reasonable attorneys' fees, collection costs, and other costs and expenses which the prevailing party incurs in enforcing any of the obligations of either party under this Lease.

37. HOMESTEAD. Lessee waives all homestead rights and exemptions which it may have under any law as against any obligations owing under this Lease. Lessee hereby assigns to Lessor its homestead right and exemption.

38. TIME OF ESSENCE. Time is of the essence of this Lease.

39. NO ESTATE IN LAND. This Lease shall create the relationship of landlord and tenant between Lessor and Lessee, and nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, or of partnership, or of joint venture, or of any relationship other than landlord and tenant, between the parties hereto. No estate shall pass out of Lessor and Lessee has only a usufruct not subject to levy and sale.

40. ACCORD AND SATISFACTION. No payment by Lessee or receipt by Lessor of a lesser amount than the Base Rent, additional rent, or any other Amount Due herein stipulated shall be deemed to be other than on account of the earliest of such amount then due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Lessor may accept the check or payment without prejudice to Lessor's right to recover the balance of the rent or pursue any other remedy provided in this Lease.

41. BROKERS' FEES. With the exception of TPA Realty Services, Inc., broker representing Lessor and Tishman Real Estate Services Company, broker representing Lessee; Lessor and Lessee warrant and represent, each to the other, that it has had no dealings with any broker or agent in connection with this Lease, and Lessor and Lessee hereby indemnify each other against, and agree to hold each other harmless from, any liability or claim (and all expenses, including attorneys' fees, incurred in defending any such claim or in enforcing this indemnity) for a real estate brokerage commission or similar fee or compensation arising out of or in any way connected with any claimed dealings with the indemnitor and relating to this Lease or the negotiation thereof. Lessor hereby discloses that Lessor is a licensed broker in the State of Georgia but acting as a principal in this transaction.

42. MISCELLANEOUS.

42.1 Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural unless the context otherwise requires.

42.2 The captions are inserted in this Lease for convenience only, and in no way define, limit, or describe the scope or intent of this Lease, or of any provision hereof, nor in any way affect the interpretation of this Lease.

42.3 This Lease is made and delivered in the State of Georgia and shall be governed by and construed in accordance with the laws of the State of Georgia.

For additional terms and stipulations of this Lease, if any, see EXHIBIT "C", attached hereto and by this reference incorporated herein.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

LESSOR: TECHNOLOGY PARK ATLANTA, INC.
a Georgia Corporation

BY: /s/ Richard R. O'Brien

Richard R. O'Brien
President

[Corporate Seal]

LESSEE: SQL FINANCIALS INTERNATIONAL, INC.
a Delaware Corporation

BY: /s/

TITLE:

ITS:

ATTEST: /s/

NAME:

ITS:

[Corporate Seal]

SCHEDULE OF EXHIBITS

EXHIBIT "A" Legal Description

EXHIBIT "B" Outline of Premises

EXHIBIT "C" Special Stipulations

EXHIBIT "C"

SPECIAL STIPULATIONS
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1. FIRST RIGHT TO LEASE

1.1 Should any portion of the Building become vacant during the Lease Term or any renewal, which vacancy is contiguous to the Premises, and which shall be called the First Right to Lease Space (hereinafter called "FRTL Space"); and if Lessor receives an offer to lease said space acceptable to Lessor (hereinafter called the "FRTL Lease Offer"), then Lessor shall give Lessee written notice of the FRTL Lease Offer setting forth the terms and conditions thereof.

1.2 Lessee shall have and Lessor hereby grants to Lessee a first right of refusal, exercisable at any time within five (5) business days from the date of receipt of such notice, to include the FRTL space within the Premises and under this Lease upon the terms and conditions set forth in the applicable FRTL Lease Offer. If Lessee elects to exercise its first right of refusal, it shall prior to the end of such five (5) business day period, submit written notice of such exercise to the Lessor.

1.3 Notwithstanding anything contained herein to the contrary, Lessee shall have no right to exercise such first right of refusal unless Lessee shall not be in notified default of its obligations under this Lease beyond applicable periods of notice and cure.

1.4 Lessee may not assign its first right of refusal except to a permitted assignee of all of Lessee's rights under this Lease and then only in conjunction with an assignment of this Lease.

1.5 Except as otherwise set forth in the applicable FRTL Lease Offer, the leasehold improvements, if any, remaining in such space and not subject to removal by the former lessee, thereof will be provided in their then existing

condition at the time said space is made available to Lessee.

1.6 Except as set forth above, in all respects, any such FRTL Space as to which such option is exercised shall become a part of the Premises and any reference in this Lease to such Premises shall be deemed to include such space, and Lessee shall have no right to extend or sooner terminate this Lease with respect to the FRTL Space unless otherwise provided in the FRTL Lease Offer.

1.7 Lessee shall exercise its first right of refusal, if at all, within five (5) business days after the Notice is received by Lessee; provided, however Lessee shall use its reasonable efforts to respond in as short a time period as the circumstances dictate. Lessee's obligation to pay the Annual Base Rental for such space shall commence on the earlier of (i) the commencement date provided for in the FRTL Lease Offer, or (ii) the date Lessee occupies any portion of such FRTL Space.

1.8 In the event Lessee fails or elects not to exercise any first right of refusal within said five (5) business day period, then Lessor shall have the right to lease such space to the third party who made the offer to Lessor, but if Lessor does not execute a lease pertaining to the applicable FRTL Space with that third party within six (6) months after the date it provided Lessee the applicable FRTL Offer, Lessee's first right to refusal as set forth herein shall again be effective and Lessor must offer the applicable FRTL Space to Lessee upon receipt of any offer to lease that space.

2. RENEWAL OPTION. Provided that Lessee is not in default of this Lease beyond any notice and beyond any cure periods, Lessor hereby grants Lessee an option to extend the Lease Term for up to two (2) additional five (5) year periods by giving written notice to Lessor two hundred seventy (270) days prior to the expiration of the original Lease Term, or first extended Lease Term, as the case may be. The Annual Base Rent during the renewal term will be at the "Market Rate" prevailing for renewals of similar quality space located in the submarket called North Fulton and South Forsyth Counties of Atlanta, Georgia. "Market Rate" shall be defined as the then "fair market rental value" of the Premises as of the date of commencement of the renewal term, determined in accordance with the provisions set forth

below. The "fair market rental value" of the Premises shall mean the rental (taking into consideration any tenant improvement allowance, or other concessions) that would be agreed to by a lessor and a lessee, each of whom is willing, but neither of whom is compelled, to enter into a renewal of the lease transaction. The fair market rental value shall be determined assuming the fair market rental value shall be projected to the commencement date of the renewal term. The fair market rental value to be determined shall take into account the following factors:

i. Rental for comparable renewal or extension premises in comparable existing buildings, (taking into consideration, but not limited to, use, and location within the applicable building improvements to the Premises, definition of rentable area, quality, age and location of the comparable buildings);

ii. The length of the rental term;

iii. The quality and credit worthiness of the Lessee.

If the Lessor and Lessee are unable to agree upon the fair market rental value within one hundred eighty (180) days prior to the expiration of the Original Lease Term, or extended Lease Term, as the case may be, then the determination of fair market rental value shall be determined by three appraisers selected according to the provisions of the American Arbitration Association, and appraisers to have the MAI designation and a minimum of ten (10) years experience in the Atlanta commercial real estate market. The cost of arbitration shall be shared equally by Lessor and Lessee. There shall be no further extensions or renewals of the Lease Term, except as expressly agreed to by the parties hereto in writing. During the extended Lease Term, Lessor shall have no obligations to make any alterations or improvements to the Premises under Section 10 hereof. Lessor shall have no obligation in the extended Lease Term to pay any building allowances, design allowances or similar items to Lessee.

EXHIBIT 10.19

STATE OF GEORGIA

COUNTY OF FORSYTH

ASSIGNMENT OF LEASE

THIS AGREEMENT (hereinafter referred to as the "Assignment"), made and entered into as of the 24th day of July, 1998 by and among SQL FINANCIALS INTERNATIONAL, INC. (hereinafter referred to as "Assignor"), TECHNOLOGY PARK/ATLANTA, INC.,a Georgia Corporation (hereinafter referred to as "Assignee") and METROPOLITAN LIFE INSURANCE COMPANY (hereinafter referred to as "Lessor");

W I T N E S S E T H: That:

WHEREAS, pursuant to a certain Lease dated as of March 20, 1997 by and between Assignor, as lessee, and Assignee, as lessor (hereinafter referred to as the "Lease"), Assignor agreed to lease from Assignee certain space (the "Premises") located in Forsyth County, Georgia and being more particularly described in the Lease; and

WHEREAS, Assignee subsequently sold the Building and Property (each as defined in the Lease) to Lessor, and Lessor assumed the obligations of "Lessor" under the Lease; and

WHEREAS, Assignee desires to lease certain space in Building 3970 in Johns Creek (the "3970 Premises") by virtue of that certain Lease dated of even date herewith between Assignor, as lessee, and Assignee as lessor (the "3970 Lease"); and

WHEREAS, in consideration for entering into the 3970 Lease and pursuant to the terms and conditions hereof, Assignor desires to assign its rights under the Lease and to delegate its obligations under the Lease to Assignee and Assignee desires to accept such assignment and to assume such delegated obligations; and

WHEREAS, Assignee and Assignor intend that the commencement of the 3970 Lease and the assignment and assumption of the Lease shall occur simultaneously, and that Assignor's rental payments under the Lease and the 3970 Lease shall be continuous, but not duplicative;

NOW, THEREFORE, in consideration of the sum of TEN DOLLARS ($10.00), the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. This Assignment shall be effective and in full force and effect as of the Commencement Date, as defined in the 3970 Lease (the "Effective Date").

2. Subject to paragraph 4 hereof, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in and to the Lease and Assignor delegates to Assignee all of Assignor's duties and obligations under the Lease. Subject to paragraph 4 hereof, Assignee hereby accepts all right, title and interest of Assignor in and to the Lease and assumes and agree to perform, discharge, and fulfill all of the duties, liabilities and obligations of

Assignor under the Lease. Notwithstanding anything to the contrary contained herein, however, Assignor does not assign, and shall not be deemed to have assigned, and Assignee does not assume, and shall not be deemed to have assumed, any duty, liability or obligation incurred or arising as a result of any breach or default by Assignor under the Lease occurring prior to the Effective Date of this Assignment, and Assignor shall remain responsible for such duties, liabilities and obligations.

3. Assignor shall indemnify Assignee against, and hold and defend Assignee harmless from, any duty, liability or obligation to Lessor incurred or arising as a result of any breach or default by Assignor under the Lease occurring prior to the Effective Date of this Assignment. Subject to the immediately preceding sentence, Assignee shall indemnify Assignor against, and hold and defend Assignor harmless from, any duty, liability or obligation to Lessor incurred or arising as a result of any breach or default by Assignee under the Lease occurring after the Effective Date of this Assignment.

4. Assignor hereby agrees to continue to pay all rental amounts due Lessor under the Lease for the first three (3) months after the Effective Date, such that Assignor's obligation to pay rent under the Lease pursuant to this Assignment shall cease simultaneously with Assignee's obligation to pay full Base Rent under the 3970 Lease.

5. Pursuant to Paragraph 11 of the Lease, Lessor hereby approves this Assignment, and Lessor shall honor and be bound by the Lease, as assigned. Lessor expressly agrees that, subject to paragraph 4 hereof, this Assignment shall release Assignor from its obligations under the Lease as of the Effective Date, and further agrees that Lessor shall return the Security Deposit and Letter of Credit deposited by Assignor under the Lease, plus earned interest on said Security Deposit, to Assignor within thirty (30) days of the Effective Date, Lessor at that time having no claim to or interest in said Security Deposit or Letter of Credit.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment or have caused the same to be executed and sealed by their authorized representative the day and year first above written.

ASSIGNOR:

SQL FINANCIALS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/

Name:

Its:

[CORPORATE SEAL]

ASSIGNEE:

TECHNOLOGY PARK/ATLANTA, INC., a Georgia corporation

By: /s/

Name:

Its:

[CORPORATE SEAL]

LESSOR:

METROPOLITAN LIFE INSURANCE COMPANY

By: /s/

Name:

Its:

[CORPORATE SEAL]

Exhibit 10.23

OEM SOFTWARE LICENSE AGREEMENT

THIS OEM SOFTWARE LICENSE AGREEMENT ("Agreement") is entered into as of April 14, 1998 (the "Effective Date"), by and between SQL FINANCIALS INTERNATIONAL, INC., 3950 Johns Creek Court, Suwanee, Georgia 30024 (hereinafter "SFI") and ELEKOM CORPORATION City Center Bellevue, Suite 1400, 500 - - 108th Avenue, Bellevue, Washington 98004 (hereinafter "ELEKOM").

RECITALS:

WHEREAS, ELEKOM has developed procurement software; and

WHEREAS, SFI desires the right to distribute certain of ELEKOM's products on a private-label basis, both as a stand-alone product and in conjunction with SFI's own software;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. DEFINITIONS. Unless defined elsewhere in this Agreement, terms appearing in initial capital letters shall have the following meanings:

   a. "Acceptance Criteria" means the specifications and standards for acceptance adopted by mutual agreement of the parties respecting the ELEKOM-Interfaced Software to be provided by ELEKOM to SFI pursuant to this Agreement. The Acceptance Criteria for the ELEKOM-Interfaced Software to be developed by ELEKOM shall be developed and agreed upon by the parties and attached hereto as Exhibit I within sixty (60) days after the Effective Date. Such Exhibit I may be amended or supplemented from time to time by mutual agreement of the parties.

   b. "Affiliate" means a legal entity controlling, controlled by, or under common control with, the entity in question.

   c. "Bundled Product" means any integrated product consisting of a copy of the ELEKOM-Interfaced Software and an SFI Product, and such other components as the parties may agree in writing, produced and distributed by SFI under one or more of SFI's trademarks.

   d. "Documentation" means the user's and administrator's manual(s) provided by ELEKOM for the Software Product, either in on-line form or printed form.

   e. "End User" means an individual authorized to use a copy of the Bundled Product or Stand-Alone Product under the terms of a Software License and Support Agreement between SFI and a customer, such Software

      License and Support Agreement to be substantially similar to the agreement attached hereto and incorporated herein as Exhibit II.

   f. "Enhancement" shall mean a modification to the Software Product which extends its functionality or adds new functions.

   g. "ELEKOM-Interfaced Software" means the Software Product as modified by ELEKOM under this Agreement to integrate the Software Product and the SFI Product for purposes of creating the Bundled Product as described in Exhibit V including subsequent Enhancements and Releases as defined in this Agreement; provided that until such time as the integration has been completed and the integrated product is available for commercial release in accordance with the Integration Plan (as defined in Section 7(a) hereof), the AELEKOM-Interfaced Software@ shall mean

the Software Product.

h. "License Fees" means the fees paid or payable to ELEKOM by SFI in connection with the licensing of the Software Product as set forth on Exhibit IV, attached hereto and incorporated herein.

i. "Release" shall mean any new version update, upgrade or new release of the Software Product, or portion thereof, which includes, without limitation, Enhancements, incorporates solutions to reported problems with the Software Product, or which makes the Software Product operate more easily or efficiently, whether or not the name thereof is changed in connection therewith.

j. "SFI Customer" means any customer of SFI listed in Exhibit VII (except for CompUSA, Inc. and A.C. Nielsen Corporation USA), as the same may be amended from time to time by written agreement of the parties. ELEKOM shall not unreasonably withhold its consent to an amendment of the list attached as Exhibit VII to add any third-party that becomes a customer of SFI after the date of this Agreement.

k. "SFI Product" means SFI's financial management and/or combined financial management and human resource software that will be bundled with the ELEKOM-Interfaced Software.

l. "Software Product" means ELEKOM's procurement software product, as described on Exhibit III, attached hereto and incorporated herein, in object code form only, including all Documentation.

m. "Stand-Alone Product" means the ELEKOM-Interfaced Software reproduced and distributed by SFI under one or more of SFI's trademarks.

n. "Sublicense" means the sublicense of the ELEKOM Interfaced-Software by SFI to an End User, through a license granted by SFI to the End User of either the Bundled Product or the Stand-Alone Product pursuant to the terms of a Software License and Support Agreement between SFI and the End User substantially similar to the agreement attached as Exhibit II.

o. "Support Fees" means the fees paid to ELEKOM by SFI in connection with the support and maintenance services provided by ELEKOM as set forth on Exhibits IV and IX, attached hereto and incorporated herein.

p. "Term" means, collectively, the Initial Term and all Renewal Terms, if any.

q. "Territory" shall mean the United States, Canada, Singapore, any other countries that are parties to the international Convention on Literary and Artistic Works, commonly known as the Berne Convention, and such other countries as SFI and ELEKOM may agree upon in writing at a future date.

2. LICENSE FEES

Subject to the terms of this Agreement, and in consideration of the rights granted by ELEKOM to SFI hereunder, during the term of this Agreement SFI shall pay to ELEKOM the License Fees computed as shown on Exhibit IV, attached hereto and incorporated herein by reference. The parties agree that ELEKOM may modify its list price on which the License Fees are based not more than once per calendar quarter, with any increase becoming effective sixty (60) days after written notice thereof to SFI, provided that ELEKOM shall not increase its list price by more than 20% per twelve (12) month period. Such License Fees shall be

paid at the times and in the manner set forth in such Exhibit IV.

3. LICENSE GRANT

a. Grant. Subject to the provisions of this Agreement, ELEKOM hereby grants to SFI a non-exclusive license in the Territory: (i) to reproduce the ELEKOM-Interfaced Software in connection with the manufacture of Bundled Products and Stand-Alone Products for use or distribution by SFI in accordance with this Agreement; (ii) market, distribute and sublicense the ELEKOM-Interfaced Software as a component of Bundled Products for use by any End User in the Territory pursuant to and in accordance with a Sublicense; and (iii) market, distribute and sublicense the ELEKOM-Interfaced Software as a Stand-Alone Product only to SFI Customers and for use by them as an End User in the Territory pursuant to and in accordance with a Sublicense, provided that in the event ELEKOM desires to grant an exclusive license to the Software Product outside of the United States and Canada, ELEKOM may give SFI sixty (60) days' prior written notice thereof and SFI's license under this subsection 3(a)(iii) shall

thereafter be limited to the United States and Canada. SFI shall have the right to set prices and to control all aspects of SFI's marketing of Bundled Products and Stand-Alone Products, subject to the terms of this Agreement. Notwithstanding the foregoing, SFI may license the Stand-Alone Product to entities other than SFI Customers if approved by ELEKOM on a case-by-case basis.

b. Notwithstanding anything herein to the contrary, the license granted hereunder shall, subject to Section 3(g), be exclusive in the United States and Canada to the extent that: (i) ELEKOM will not, without the prior written consent of SFI which shall not be unreasonably withheld, license the Software Product directly or indirectly through any Affiliate to any existing SFI Customers for use in the United States and Canada; and (ii) ELEKOM shall not enter into a license, value-added reseller ("VAR") or original equipment manufacturer ("OEM") agreement for distribution of the Software Product in the United States or Canada by any of the following competitors of SFI: PeopleSoft, Oracle, Lawson, Flexiware, Great Plains and Platinum during 1998, or with Great Plains, Flexiware or Platinum during 1999. The foregoing provision shall not be construed to prevent ELEKOM from licensing any other ELEKOM software to any third party including the named competitors of SFI or their customers or prospects.

c. Documentation. Subject to the terms of this Agreement, ELEKOM hereby grants to SFI a non-exclusive license in the Territory to use, copy, market, transmit, display, perform, adapt, or distribute all or any part of the marketing material or Documentation for the Software Product, for purposes of marketing and distributing Bundled Products and Stand-Alone Products. Subject to the rights granted to SFI in the first sentence of this subsection, ELEKOM shall own all right, title and interest (including, without limitation, copyright throughout the world) in and to all such marketing materials and Documentation provided by ELEKOM, and SFI hereby assigns to ELEKOM all right, title and interest (including, without limitation, copyright throughout the world) in and to the Documentation, other than the derivatives created by SFI, which shall be owned by SFI, but which shall not include any portion of the underlying Documentation but only the changes made thereto by SFI. Notwithstanding anything herein to the contrary, the license granted to SFI hereunder shall be exclusive to the same extent as the exclusivity of the license relating to the Software Product as provided in Section 3(a).

d. Notices. SFI shall be permitted to rename the Software Product with a name or trademark to be selected and owned by SFI; provided, however, that SFI (i)obtains ELEKOM's prior written approval of the name, which approval will be exercised in good faith and shall not be unreasonably withheld or delayed, and (ii)includes copies of the following notice regarding proprietary rights in all copies of the Software Product

that SFI distributes, as follows: (a) on all Bundled Product and

Stand-Alone Product packaging and labels; (b) on the title pages of all Bundled Product and Stand-Alone Product documentation; and (c) on the "About" page of the Software Product. The notices are as follows:

(C) 81997, 1998 ELEKOM Corporation

e. Modifications and New Releases. ELEKOM shall promptly notify SFI of all projected changes in the code and functional performance of the Software Product, as well as any changes in the Documentation, to enable SFI to control manufacturing and inventory. ELEKOM shall provide to SFI, at no additional charge, all Enhancements or Releases, of the Software Product developed by or for ELEKOM during the Term of this Agreement, immediately upon the commercial release of the same.

f. Promotional and Similar Uses. SFI may make and use a reasonable number of copies of the Software Product, at no additional charge, for development, promotional, demonstration, support, education/training, and other purposes incidental to its marketing and distribution of the Software Product. Any Software Product provided to a potential customer for evaluation purposes will be given only after the potential customer has entered into an Evaluation Agreement with terms substantially the same as those included in Exhibit VIII. ELEKOM further grants to SFI a license for 600 Users to use the Software Product for internal purposes at no license fees to SFI. This license is subject to SFI's execution of ELEKOM's standard license agreement, and SFI will pay ELEKOM's standard end-user maintenance fees for support services as provided therein. The maintenance fees for support services will be calculated based upon the number of Users actually installed by SFI. SFI shall report to ELEKOM within thirty days of the end of a calendar quarter the number of Users installed as of the end of such quarter and the maintenance fees shall be calculated based on the fact that the Users were installed for the complete quarter. SFI agrees to grant to ELEKOM a license for internal purposes of SFI's financial and human resource applications under the terms of this section provided that ELEKOM enters into SFI's standard license agreement. The licenses granted to SFI pursuant to this Subsection 3(f) shall also extend to SFI's wholly-owned subsidiary, SQL Financials Services, LLC, so long as such entity is a wholly-owned subsidiary of SFI.

g. Exclusivity Conditioned Upon Minimum License Fees. If SFI shall fail to meet the minimum License Fees set forth in Exhibit IV, ELEKOM may, upon thirty (30) days' prior written notice, convert the license granted to SFI herein to a nonexclusive license. If SFI makes the required payments with respect to the minimum License Fees within the thirty-day notice period, the exclusivity of the license granted to SFI shall continue in full force and effect.

h. Reservation of Rights. Except for the licenses granted under Sections 3 and 15, ELEKOM reserves all copyright, trademark, trade secret and other proprietary rights in or to the Software Product, Documentation and Interface Software. The licenses granted under Sections 3 and 15 set forth the entirety of SFI's rights to use, reproduce, market, distribute, sublicense and otherwise deal with the Software Product, Documentation and Interface Software. Without limiting the generality of the foregoing, SFI will not directly or indirectly through any third party: (a) distribute or sublicense any Software Product, Documentation or Interface Software to anyone other than End Users pursuant to a Sublicense; (b) modify, or create any derivative work based upon, any Software Product, Documentation or Interface Software; (c) reverse engineer, disassemble or decompile any Software Product or Interface Software, or attempt to discover or recreate the source code to any Software Product or Interface Software; (d) remove, obscure or

alter any notice of any copyright, trademark, trade secret or other proprietary right related to any Software Product, Documentation or Interface Software; (e) market, distribute or sublicense the Software Product or Interface Software, whether as a component of a Bundled Product or as a Stand-Alone Product, for use at a location outside the Territory; or (f) export or authorize the export of any Software Product, Documentation or Interface Software (or any other data, information or other items provided by ELEKOM) to any location outside the Territory.

4. LIMITED WARRANTY AND REMEDIES

a. Limited Warranty. ELEKOM warrants that when operated in accordance with the Documentation and other instructions provided by ELEKOM, the ELEKOM-Interfaced Software will perform substantially in accordance with the applicable functional specifications contained in the Documentation (including accurately receiving, processing, manipulating, calculating, reporting and storing four digit date data from, into, after and between the twentieth and twenty-first centuries, including the years 1999 and 2000 and correctly handling all leap years), subject to the restrictions, exclusions or other limitations set forth elsewhere in this Agreement or the applicable Sublicense. In the event of a breach of this warranty, ELEKOM shall (i) repair or replace the affected ELEKOM-Interfaced Software, and ELEKOM shall use commercially reasonable efforts to complete any such repair in accordance with the support guidelines attached hereto as Exhibit IX, or (ii) if such repair or replacement is not completed after reasonable notice and an opportunity for remedial action, ELEKOM shall provide a refund of an equitable portion of the license fees paid to ELEKOM for the affected copies of the ELEKOM-Interfaced Software in full satisfaction of any and all claims relating to this warranty.

b. Anti-Virus Warranty. ELEKOM warrants that the ELEKOM-Interfaced Software delivered to SFI under this Agreement will not contain any software routine, code or instruction, hardware component or combination thereof, that is designed to (a) repossess or disable the ELEKOM-Interfaced Software by electronic or other means upon the failure of SFI to make payments to ELEKOM or upon the passage of time; or (b) otherwise disable, delete, modify, damage or erase software, hardware or data (collectively referred to and defined for purposes of this Section as a "Virus"). The term "Virus" is intended to include, but is not limited to, components that are commonly referred to as "viruses," "back doors," "time bombs," "Trojan Horses," "worms" or "drop dead devices." In the event of a breach of this warranty, ELEKOM shall (i) repair or replace the affected ELEKOM-Interfaced Software, and ELEKOM shall use commercially reasonable efforts to complete any such repair in accordance with the support guidelines attached hereto as Exhibit IX, or (ii) if such repair or replacement is not completed after reasonable notice and an opportunity for remedial action, ELEKOM shall provide a refund of an equitable portion of the license fees paid to ELEKOM for the affected copies of the ELEKOM-Interfaced Software in full satisfaction of any and all claims relating to this warranty.

c. LIMITATIONS AND DISCLAIMERS. THE FOREGOING WARRANTIES AND THE RELATED REMEDIES OF SFI AND THE WARRANTIES AND THE RELATED REMEDIES OF SFI SET FORTH IN SECTION 11 HEREOF ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND SFI HEREBY WAIVES, RELEASES AND DISCLAIMS, ALL OTHER WARRANTIES OF ELEKOM WITH RESPECT TO THE SOFTWARE PRODUCT AND ANY OTHER GOODS OR SERVICES PROVIDED BY ELEKOM HEREUNDER, AND WAIVES ANY OTHER REMEDIES WITH RESPECT TO A BREACH OF SUCH WARRANTIES. WITHOUT LIMITATION OF THE FOREGOING, ELEKOM DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE.

5. TECHNICAL SUPPORT

a. Support. Throughout the Term of this Agreement, ELEKOM shall
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provide technical support for the ELEKOM-Interfaced Software to SFI and SFI End Users, provided that SFI is current in its support payments as defined in Exhibit IV. SFI shall be responsible for taking the initial call from an End User, confirming that such individual is a "designated employee" of such End-User, determining on a preliminary basis that the support issue is caused by the Software Product, documenting the support issue and communicating it to ELEKOM in a mutually agreed upon manner. ELEKOM shall thereafter be responsible

for providing support directly to such End User as provided in Exhibit IX hereto. All such support shall be performed by ELEKOM via telephone, accessible at the standard technical support toll number, during the hours of 9 a.m. to 8 p.m. Eastern Time; provided that ELEKOM will in good faith expand such hours to 8 a.m. Eastern Time at such time as its customer demands so warrant, and if ELEKOM increases its support hours, such expanded hours will apply hereunder on the same terms and conditions as offered to other ELEKOM customers. ELEKOM shall be responsible for establishing and administering a registration system for technical support calls. SFI shall be responsible for providing the name of the designated employee and technical configuration of each End User on whose behalf SFI requests technical support from ELEKOM. ELEKOM support services to SFI are defined in Exhibit IX. Notwithstanding the foregoing, SFI will be responsible for distributing all upgrades, Enhancements and Releases of the Software Product received from ELEKOM to End Users. ELEKOM further agrees to continue its support obligations set forth herein following the Term of this Agreement for such period as the End Users have paid for support and maintenance in accordance with the provisions hereof; provided that ELEKOM may discontinue such post-termination support upon forty-five (45) days prior written notice to SFI by delivering to SFI a refund of the unused portion of the support fee paid, based on a pro rata abatement over the term of the support. Notwithstanding anything to the contrary, the obligations set forth in the immediately preceding sentence shall survive termination of this Agreement.

b. Implementation and Other Services. SFI shall provide any integration,
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implementation, set-up, training and other related services to the End Users with respect to the ELEKOM-Interfaced Software. In the event that SFI and ELEKOM mutually agree that ELEKOM will perform any or all of such services as a subcontractor to SFI, SFI shall pay ELEKOM eighty percent (80%) of its list price for such services, as set forth on Exhibit IV hereto. Such services will be billed on a monthly basis, with payment due within 30 days of the date of invoice.

6. PRODUCTION OF SOFTWARE PRODUCT

Delivery of Master Copy. ELEKOM shall deliver to SFI one (1) master copy
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of the ELEKOM-Interfaced Software, in object code form, and an electronic copy of all Documentation.

7. DEVELOPMENT AND MAINTENANCE OF INTERFACE

a. ELEKOM Integration Plan. The parties agree to work together to
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develop detailed specifications for the configuration of the ELEKOM-Interfaced Software for distribution in connection with SFI Products or Bundled Products, according to the ELEKOM Integration Plan to be attached hereto and incorporated herein as Exhibit V. Each party agrees to fulfill its obligations as set forth in the ELEKOM Integration Plan, and each party shall pay all costs and expenses

associated with its performance of such obligations. In addition, the parties shall perform all necessary tests required to test and confirm

the conformity of such ELEKOM-Interfaced Software with the Acceptance Criteria. ELEKOM shall work with SFI in administering "Beta" site activity at the first three sites licensed to use the Bundled Product. Support of the "Beta" site activity may require, as appropriate and needed, that services be provided by SFI and/or ELEKOM to the End User at discounted rates.

b. Development and Maintenance of the Software Product and Interface Software. ELEKOM shall work with SFI to promptly develop modifications and upgrades to the ELEKOM-Interfaced Software or new interface software to be used in conjunction with new releases of the SFI Product. ELEKOM shall use commercially reasonable efforts to deliver all such modifications and upgrades to the ELEKOM-Interfaced Software within sixty (60) days after the first commercial release of any Enhancement or new Release of the Software Product. Further, should ELEKOM become aware of any errors or be notified by SFI or any End User of any errors in the Software Product, the ELEKOM-Interfaced Software or Documentation, ELEKOM shall use commercially reasonable efforts to correct such errors in accordance with the procedures described in Exhibit IX.

c. Ownership. SFI and ELEKOM agree that any extensions to SFI or ELEKOM's existing products that are developed by SFI or ELEKOM respectively under this Agreement (collectively, the Interface Software) will be owned by such party and that the other party will acquire no right, title, or interest (including, but not limited to, all patent rights, common law and statutory trademark rights and copyrights) in such software except as specifically licensed hereunder.

8. TRAINING

ELEKOM shall provide, at no additional cost to SFI, the following training with respect to the Software Product and future Enhancements and Releases of the Software Product:

a. Initial Training. During calendar 1998, ELEKOM shall provide three (3) two-day classes at SFI headquarters for SFI employees. SFI shall be responsible for payment of all travel, lodging and meals associated with such training.

b. Future Releases. Following the issuance of each new Release of the Software Product, ELEKOM shall provide, if requested by SFI, two (2) two-day classes at SFI headquarters for SFI employees; provided that SFI shall schedule such training within sixty (60) days of the receipt

of any new Release. SFI shall be responsible for payment of all travel, lodging and meals associated with such training.

c. Additional Training. ELEKOM shall provide additional training (beyond that contemplated in Sections 8(a) and 8(b) above) at SFI's request, provided SFI pays training fees equal to sixty percent (60%) of ELEKOM's then-current standard training rates and provided SFI pays ELEKOM's reasonable and documented expenses relating to travel, lodging and meals.

9. MARKETING

a. Cooperation. ELEKOM and SFI agree to work together to market the Software Product, Bundled Products and the Stand-Alone Products (e.g., joint seminars, establishing web site links to each other's web sites and sharing customer lists, subject to the confidentiality provisions of this Agreement) as may be agreed upon from time to time in writing

by the parties. Each party agrees to provide the other with customer references in support of their marketing efforts for the Software Product and, except as otherwise provided in Section 9(b) below, agree that they will not contact any reference provided by the other party without such other party's prior written consent. Each party shall pay its own expenses relating to such marketing efforts.

b. Commission on SFI Referrals. SFI shall refer to ELEKOM any and all requests, inquiries or other expressions of interest that SFI may receive from any third party other than a SFI Customer with respect to the Stand-Alone Product or the Software Product other than as a component of a Bundled Product. SFI shall promptly notify ELEKOM of any such expression of interest (such notice shall be sent to the person designated in accordance with Section 20(e) hereof or to such other ELEKOM employee as may be directed by ELEKOM hereafter), provide ELEKOM with pertinent data (e.g., name, address and telephone number of the person expressing interest) and otherwise cooperate with ELEKOM's efforts to respond to the expression of interest. If ELEKOM licenses the Software Product within nine months after and as a result of any such referral from SFI (e.g., the third party did not have any prior contact with ELEKOM), then ELEKOM shall pay to SFI a commission equal to ten percent (10%) of the license fees received by ELEKOM pursuant to such license as originally entered into or amended within the nine month period. Within five (5) days of receipt of a referral from SFI, ELEKOM shall notify SFI in writing if ELEKOM has had prior contact with such potential customer. ELEKOM shall pay SFI the commission for each license granted to an end user during the first twelve calendar months of the Term within thirty (30) days following the end of such calendar month and the commission for each license granted to an end user during each calendar quarter commencing with the quarter starting on April 1, 1999 through the end of the Term

hereof shall be payable by ELEKOM within thirty (30) days following the end of such calendar quarter. In connection herewith, SFI shall have audit rights with respect to ELEKOM's calculation and payment of the commission, which are identical to those audit rights of ELEKOM set forth in Section 10 hereof.

c. Marketing Materials. ELEKOM shall provide to SFI camera-ready copies of all of ELEKOM's marketing materials regarding the Software Product from time to time as the same become available. SFI may use, reproduce, modify and distribute such materials in its sales and marketing efforts with respect to Bundled Products and Stand-Alone Products. SFI agrees that all marketing materials developed by SFI for the Bundled Products and Stand-Alone Products, to the extent the same relate to the Software Product, will be submitted to ELEKOM for approval prior to the release thereof to the extent required and as provided in Section 16(d) hereof.

d. Public Relations. SFI and ELEKOM shall conduct their respective businesses and activities in such a manner so as to promote a good image and public relations for the Software Product. Without limiting the generality of the foregoing, neither party shall: (i) participate in any unfair or deceptive trade practice involving the Software Products, Bundled Products or Stand-Alone Products; (ii) make any false, misleading or disparaging representations or statements with regard to the Software Product or the other party; or (iii) with respect to SFI, participate in any promotion, advertising, marketing, or sale of any imitation of any Software Product.

10. AUDIT

SFI shall keep current, complete and accurate records regarding all Software Product copies made and distributed and of all End User licenses of the Stand-Alone Product or the Bundled Product granted by SFI. Upon ELEKOM's request, which shall be given in writing at least ten (10) days prior to the scheduled audit date, SFI shall provide access to such records for examination, reproduction and audit by ELEKOM or its consultants.

ELEKOM shall have thirty (30) days after the completion of an audit performed in accordance with the terms of this Section to notify SFI in writing of ELEKOM's challenge of any payments made by SFI during the audit period. ELEKOM's failure to notify SFI in writing of such a challenge within the foregoing thirty (30) day period shall be deemed an acceptance of the accuracy of the payments for the audit period. If any such audit discloses any understatement of the license fees due, SFI shall upon notice in writing from ELEKOM immediately pay to ELEKOM any deficiency, plus interest as provided in Exhibit IV. ELEKOM's failure to perform an audit during a calendar year of the amounts paid during the prior calendar year shall be deemed a waiver of ELEKOM's rights to perform an audit of such period under the terms of this Section.

11. PROPRIETARY RIGHTS

a. ELEKOM represents and warrants to SFI that:

i. ELEKOM has the unqualified right to grant the licenses of the Software Product and Documentation granted and to be granted herein. ELEKOM owns or has sufficient right, title, and interest in the Software Product and Documentation to grant such licenses and has not granted any conflicting rights to any third party;

ii. ELEKOM has the right to grant the rights granted herein and/or to perform the obligations contained herein without breaching any contractual duty to a third party.

iii. Neither the Software Product nor the Documentation infringes upon a United States copyright, patent, trademark or other proprietary right or violates or misappropriates the trade secrets of any third party (collectively, "Third Party Rights").

b. Each of ELEKOM and SFI agrees to notify the other promptly (but in no event more than twenty (20) days after it received notice of such claim) in the event that it becomes aware of any colorable claim that the Software Product infringes upon a Third Party Right.

c. Subject to Section 11(e) below, ELEKOM shall defend SFI against any claim, suit or other proceeding brought by a third party based upon an allegation that the manufacture, use or distribution of any part of the Software Product constitutes an infringement or misappropriation of any Third Party Right and shall indemnify SFI from all damages, liabilities, costs and expenses (including reasonable attorneys' fees) that SFI suffers or incurs in connection with any such claim, suit or proceeding.

d. Subject to Section 11(e) below, if all or any part of the Software Product (or the use thereof) is held to constitute an infringement or misappropriation of any Third Party Right, or its use is enjoined, ELEKOM shall, at its option and expense, either (i) promptly procure for SFI and its End User customers the right to continue to use the Software Product, (ii) if the performance thereof will not thereby be materially adversely affected, promptly replace or modify the Software Product so that it becomes noninfringing and yet provides substantially equivalent functionality in all material respects, or (iii) if (i) and (ii) are not commercially reasonable, refund an equitable portion of the license fees paid to ELEKOM for the affected copies of the Software Product.

e. ELEKOM's obligations to SFI under this Section 11 will arise only if SFI gives ELEKOM prompt notice of the infringement claim, grants ELEKOM exclusive control over its defense and settlement and cooperates with ELEKOM in connection with such defense and settlement; provided, however, that ELEKOM shall not settle any such infringement
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claim or action under terms requiring SFI and its End User customers to cease using the Software Product without the prior written consent of SFI, which consent shall not be unreasonably withheld.

THIS SECTION 11 SETS FORTH THE EXCLUSIVE WARRANTIES OF ELEKOM AND RELATED REMEDIES OF SFI WITH RESPECT TO ANY CLAIM OF INFRINGEMENT OR MISAPPROPRIATION OF ANY COPYRIGHT, TRADEMARK, TRADE SECRET OR OTHER PROPRIETARY RIGHT OF ANY THIRD PARTY.

12. OTHER INDEMNIFICATIONS

a. Subject to Section 12(b) below, ELEKOM shall defend SFI against any claim, suit or other proceeding brought by any third party based upon (i) any injury to or death of any person or persons directly or indirectly arising out of or resulting from any negligent acts or omissions or willful misconduct of ELEKOM or its employees, agents or representatives, and (ii) any damage to or loss of any property directly or indirectly arising out of or resulting from any negligent acts or omissions or willful misconduct of ELEKOM or its employees, agents or representatives, and shall indemnify SFI from all damages, liabilities, costs and expenses (including reasonable attorneys' fees) that SFI suffers or incurs in connection with any such claim, suit or proceeding.

b. Subject to Section 12(c) below, SFI shall defend ELEKOM against any claim, suit or other proceeding brought by any third party based upon (i) any injury to or death of any person or persons directly or indirectly arising out of or resulting from any negligent acts or omissions or willful misconduct of SFI or its employees, agents or representatives, and (ii) any damage to or loss of any property directly or indirectly arising out of or resulting from any negligent acts or omissions or willful misconduct of SFI or its employees, agents or representatives, and shall indemnify ELEKOM from all damages, liabilities, costs and expenses (including reasonable attorneys' fees) that ELEKOM suffers or incurs in connection with any such claim, suit or proceeding.

c. Each party's obligations to defend and indemnify the other party under Section 12(a) or 12(b), as the case may be, will arise only if the indemnified party gives the indemnifying party prompt notice of the claim, action or proceeding, grants the indemnifying party exclusive control over its defense and settlement, and cooperates with the indemnifying in connection with such defense and settlement.

13. LIMITATIONS OF LIABILITY

NEITHER PARTY WILL BE LIABLE FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES BASED ON THE PERFORMANCE OF THIS AGREEMENT OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, EVEN IF INFORMED OF THE POSSIBILITY THEREOF IN ADVANCE. THESE LIMITATIONS APPLY TO ALL CAUSES OF ACTION IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, MISREPRESENTATION AND OTHER TORTS. THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO LIABILITIES DESCRIBED IN OR ARISING UNDER SECTIONS 3(g), 11, 12, 14 or 15 HEREOF OR AS A RESULT OF ANY INFRINGEMENT OR MISAPPROPRIATION OF ANY COPYRIGHT, TRADE SECRET, TRADEMARK OR OTHER PROPRIETARY RIGHT OF ELEKOM RELATING TO ANY SOFTWARE PRODUCT, DOCUMENTATION OR INTERFACE SOFTWARE.

NEITHER PARTY SHALL BE LIABLE (WHETHER IN CONTRACT, WARRANTY, TORT OR OTHERWISE; AND NOTWITHSTANDING ANY FAULT, NEGLIGENCE, REPRESENTATION, STRICT LIABILITY OR PRODUCT LIABILITY) FOR DAMAGES ARISING UNDER THIS AGREEMENT (EXCEPT FOR ELEKOM'S OBLIGATIONS UNDER PARAGRAPH 11 AND EXCEPT FOR SFI'S COMPLIANCE WITH THE RESTRICTIONS UNDER PARAGRAPH 3) WITH REGARD TO ANY PRODUCT DOCUMENTATION, SERVICES OR OTHER ITEMS SUBJECT TO THIS AGREEMENT, FOR AN AMOUNT IN EXCESS OF THE GREATER OF (I) THE AMOUNT OF DAMAGES COVERED BY INSURANCE, PROVIDED THAT THE INDEMNIFYING PARTY HAS MAINTAINED THE INSURANCE REQUIRED UNDER SECTION 20(G) AND (II) THE TOTAL COMPENSATION PAID BY SFI TO ELEKOM UNDER THIS AGREEMENT. NEITHER PARTY SHALL HAVE ANY LIABILITY FOR ANY DAMAGES WHATSOEVER RELATING TO ANY PRODUCTS GOODS, OR SERVICES NOT PROVIDED BY SUCH PARTY.

14. CONFIDENTIAL INFORMATION

Each party agrees to use reasonable efforts, and at least the same care that it uses to protect its own Confidential Information (as defined below)

of like importance, to prevent unauthorized use, dissemination or disclosure of the other party's Confidential Information during and after the Term of this Agreement.

a. Definition. For purposes of this Agreement, "Confidential Information" shall mean and include, without limitation: any

proprietary information related to either party's technology, products and business activities, including without limitation business outlooks, pricing, trade secrets, computer programs and software, inventions, techniques, product designs, strategies, research and development data, marketing plans, customer lists and third-party confidential information.

b. Exceptions. The foregoing confidentiality obligations shall not apply to any information that: (i) becomes known to the general public without fault or breach on the part of the receiving party; (ii) the disclosing party customarily provides to others (other than Affiliates) without restriction on disclosure; (iii) the receiving party obtains from a third party without knowledge of a breach of a nondisclosure obligation and without restriction on disclosure; (iv) the receiving party develops independently (as evidenced by the receiving party's written records); or (v) the receiving party is required to disclose by order of lawful authority, provided the disclosing party is given prompt notice and opportunity to intervene and secure a protective order to restrict such disclosure.

c. Nondisclosure of Agreement. Neither party shall disclose the terms of this Agreement (including, without limitation, the financial terms and terms related to limited exclusivity) except (i) on a confidential basis to its Affiliates, accountants, attorneys, financial advisors, consultants, representatives and lenders, (ii) as required by applicable law (e.g., pursuant to applicable securities laws or legal process), provided that the disclosing party uses reasonable efforts to give the other party reasonable advance notice thereof (e.g., so as to afford such other party a reasonable opportunity to intervene and seek an order or other appropriate relief for the protection against further disclosure), or (iii) with the prior written consent of the other party. Notwithstanding the foregoing, either party shall be entitled to disclose the terms of this Agreement, including filing copies thereof, as may be required under applicable securities laws and regulations.

15. TRADEMARKS

a. "Trademarks" Defined. For purposes of this Agreement, the term "Trademark" shall mean "ELEKOM," and any other trademark, service mark, logo design or other designation used by ELEKOM in connection with the Software Product during the Term of this Agreement.

b. Grant of License. Subject to the terms and conditions set forth in this Agreement, ELEKOM hereby grants to SFI a personal, nonexclusive, nontransferable license, exercisable only within the Territory:

i. to manufacture Software Products and Bundled Products bearing one or more of the Trademarks;

ii. to use and/or affix the Trademarks, together with any SFI trademarks, to Software Products and Bundled Products manufactured by SFI in the manner approved by ELEKOM; and

iii. to market, advertise, distribute and sell Software Products and Bundled Products bearing SFI's trademarks and the Trademarks, and to permit SFI's distributors to market, advertise, distribute and

sell Software Products and Bundled Products bearing the Trademarks.

c. Product Quality in General. The Software Products manufactured by SFI, whether as a Stand-Alone Product or as part of the Bundled Product, shall be the same in all material respects to the equivalent ELEKOM products (designated by identical brand names and platform designations) manufactured by ELEKOM, except for Interfaces developed pursuant to this Agreement. The Software Products otherwise shall not be modified by SFI without the prior written consent of ELEKOM. The Software Products shall at all times be reproduced in a manner consistent with SFI's highest manufacturing standards.

d. Advertising and Promotional Materials. All advertising, press releases, promotional materials (including all labels, packaging, containers and displays) and catalogs that include or refer to any of the Trademarks in connection with Stand-Alone Products or Bundled Products, and all display and presentations that include the Trademarks (all of the foregoing being hereinafter collectively referred to as "Promotional Materials") shall be subject to ELEKOM's prior written approval. SFI shall submit a preproduction sample of any proposed Promotional Material bearing the Trademarks to ELEKOM for its approval prior to SFI's commercial use thereof; provided, however, that if ELEKOM fails to notify SFI of its disapproval of any such Promotional Material within ten (10) days of SFI's submission to ELEKOM (or within 24 hours with respect to press releases), then such Promotional Material shall be deemed approved by ELEKOM. Upon ELEKOM's approval of any Promotional Material, no further approval shall be required from ELEKOM for SFI's use of such Promotional Material. Notwithstanding the foregoing, following the approval by ELEKOM of any Promotional Material hereunder, any Promotional Materials developed thereafter by SFI which use the Trademarks in a consistent manner shall not require further approval by ELEKOM.

e. Ownership of Trademarks. SFI acknowledges that ELEKOM is and shall remain the owner of all right, title and interest in and to each of the Trademarks in any form or embodiment thereof, and is also the owner of all goodwill associated with the Trademarks, and all goodwill generated by such sales shall inure exclusively to the benefit of ELEKOM.

f. Compliance with Local Trademark Laws. SFI and each SFI distributor shall use the Trademarks in accordance with the applicable legal requirements in each jurisdiction in which the Software Products or Bundled Products are to be advertised or distributed, and to use such markings in connection therewith as may be reasonably required by ELEKOM or be required by such jurisdiction's pertinent legal provisions. If registration of SFI or any SFI distributor as a registered user of any of the Trademarks is required in any jurisdiction, SFI shall bear all expenses, including government fees and trademark agents' fees, relating to its or their registration as a user of the Trademarks and relating to the cancellation of any such registration.

g. Infringements. SFI shall promptly notify ELEKOM of any third-party infringements of any of the Trademarks used in connection with Software Products, or any act of unfair competition by third parties relating to the Trademarks, whenever such infringements or acts shall come to SFI's attention.

16. TERMINATION

a. Term. The initial term ("Initial Term") of this Agreement shall commence on the Effective Date hereof and shall continue until

December 31, 1999, unless sooner terminated pursuant to Section 16(b), (c), (d), (e) or (f). Thereafter, this Agreement shall automatically renew for successive one (1) year terms (each a "Renewal Term"), subject to termination pursuant to Sections 16(b), (c), (d), (e) or (f).

b. Optional Termination by SFI. SFI may terminate the Term at any time by giving ELEKOM written notice of such termination at least ninety (90) days prior to the effective date of such termination.

c. Failure to Pay Minimum License Fees. If SFI shall fail to meet twenty-five percent (25%) of the Year-To-Date Minimum License Fees set forth in Exhibit VII, ELEKOM may, upon thirty (30) days' prior written notice, terminate the Term. If SFI makes the required payments with respect to the minimum License Fees within the thirty (30) day notice period, the Term shall continue notwithstanding the applicable notice of termination.

d. Material Breach. Either party may terminate the Term on or after the thirtieth (30th) day after such party gives the other party written notice of a material breach by such other party of any obligation hereunder, unless such breach is cured within thirty (30) days following the breaching party's receipt of such written notice.

e. Bankruptcy. Either party hereto may, at its option and without notice, terminate the Term, effective immediately, in the event the other party hereto (1) admits in writing its inability to pay its debts generally as they become due; (2) institutes proceedings to be adjudicated a voluntary bankrupt, or consents to the filing of a petition of bankruptcy against it; (3) is adjudicated by a court of competent jurisdiction as being bankrupt or insolvent; (4) seeks reorganization under any bankruptcy act, or consents to the filing of a petition seeking such reorganization; or (5) has a decree entered against it by a court of competent jurisdiction appointing a receiver, liquidator, trustee, or assignee in bankruptcy or in insolvency covering all or substantially all of such party's property (which appointment is not vacated within sixty (60) days of the entry of the order of appointment) or providing for the liquidation of such party's property or business affairs.

f. Acceptance Criteria. If the parties do not agree upon the Acceptance Criteria and ELEKOM Integration Plan within sixty (60) days after the date of this Agreement, then either party may terminate the Term by giving the other party written notice of such termination at any time prior to the parties' agreement upon the Acceptance Criteria and ELEKOM Integration Plan. In the event of any termination pursuant to this paragraph 16(f), ELEKOM shall refund to SFI the Advance paid by SFI pursuant to paragraph 2.3. of Exhibit IV.

17. EFFECT OF TERMINATION

Upon any termination of this Agreement:

a. Termination of Licenses. The licenses granted under Sections 3 and 15 shall terminate, SFI shall promptly destroy or return to ELEKOM all copies of the Software Product and Interface Software in its possession or under its control.

b. End Users. End Users properly sublicensed prior to termination may continue to use the Bundled Product and the Stand-Alone Products under the terms of their written sublicense agreements. Further, termination shall not prohibit SFI from fulfilling its obligations under any commitments made to End Users prior to the effective date of such termination.

c. No Damages for Termination: No Effect on Other Rights and Remedies.

Neither party will be liable for damages of any kind solely as a result of exercising its right to terminate this Agreement pursuant to and in accordance with Section 16, and termination will not affect any other right or remedy of either party.

d. Continuing Obligations. Payment and indemnification obligations
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arising prior to termination and the obligations of each party to keep the other's Confidential Information confidential shall survive any termination of this Agreement.

18. SOURCE CODE ESCROW

Upon SFI's request, ELEKOM shall deposit the source code for the Software Product, all ELEKOM-developed Interface Software, and the Development Environment (to the extent the Development Environment is reasonably available to ELEKOM), to be held in escrow, at SFI's expense, pursuant to an escrow agreement (in form and substance reasonably satisfactory to ELEKOM and SFI) among ELEKOM, SFI and DataBase, Inc. or another escrow agent acceptable to both parties. The "Development Environment" shall mean the programming documentation, the software tools, utilities and compilers, and other materials used by ELEKOM's programmers or its contractors to maintain and support the Software Product. ELEKOM will keep the escrow deposit current with the then-most-current copies of the source code and Development Environment for the Software Product, including Enhancements and Releases. The source code and Development Environment will be released from escrow to SFI only if:

(a) (i) SFI is not then in breach of or default under this Agreement; (ii) ELEKOM has failed to provide maintenance or support for the Software Product substantially as required by this Agreement; (iii) SFI has given ELEKOM written notice of the failure described in (ii) above; and (iv) ELEKOM has failed to provide the required maintenance or support within a reasonable period of time after ELEKOM's receipt of Licensee's notice under (iii) above;

(b) any of the events described in Section 16(e)(1) through (5) occur with respect to ELEKOM; or

(c) ELEKOM is acquired by (whether through a sale of stock or assets), or merged with PeopleSoft, Oracle, Lawson, FlexiWare, Great Plains or Platinum Software.

ELEKOM shall be entitled to advance notice of, and a reasonable opportunity to dispute, any release of the source code from the escrow. Upon release of the source code from escrow, SFI shall use the source code solely for the maintenance, support and enhancement of the Software Product as a component of the Bundled Product or as a Stand-Alone Product under this Agreement. SFI shall promptly return to the escrow or destroy the source code (and any copies thereof) when the same is no longer needed by SFI for the purposes authorized by this paragraph. SFI shall protect the source code from any unauthorized use or disclosure. Without limitation of the foregoing, SFI shall restrict access to the source code to those of its employees and independent contractors who have a need for such access and who have agreed in writing to protect the source code from any unauthorized use or disclosure. SFI shall be responsible for the payment of any and all

fees, expenses and other amounts payable to the escrow agent in connection with the escrow.

19. ASSIGNMENT

Neither party shall assign this Agreement, in whole or in part, without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either party may

assign this Agreement to a parent, subsidiary, or successor in interest to its business, subject to the provisions of Section 18(c) (whether by merger, consolidation or sale of substantially all of the assets of such party), and provided further that such assignee assumes all of the obligations of the assignor hereunder. Subject to the foregoing sentence, this Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns. In the event of a sale of ELEKOM to one of the entities listed in Section 18(c) above (whether by sale of assets, stock, merger or other reorganization), the audit rights set forth in Section 10 hereof may only be exercised through an independent third party, who shall only provide to such successor a summary report thereof, and SFI shall have no obligation to report customer names or locations hereunder.

20. MISCELLANEOUS

a. Governing Law. This Agreement shall be construed and interpreted according to the laws of the State of Washington, without regard to conflicts-of-law rules of such State. The United Nations Convention on Contracts for the International Sale of Goods (UNCITRAL) shall not apply to this Agreement in any respect.

b. Compliance With Laws. In the performance of this Agreement, each party shall comply with all applicable laws, regulations, rules, orders and other requirements, now or hereafter in effect, of governmental authorities having jurisdiction. Without limitation of the foregoing, SFI shall not, directly or indirectly through any third party, export or reexport any Software Product, technical data associated with any Software Product or the immediate products (including, without limitation, processes, services, data and reports) derived from the use of any Software Product, in violation of the U.S. Export Administration Act, regulations of the Department of Commerce or its successors, executive orders and other export controls of the United States of America.

c. Survival. The provisions of Sections 2, 3(g), 4, 7(c), 9(b), 10, 11, 12, 13, 14, 15(e), 17, 19 and 20 shall survive the termination of the Term or this Agreement for any reason.

d. Severability. This Agreement shall be deemed severable. If any part of this Agreement is found invalid or unenforceable under current or

future laws, the invalid or unenforceable provision shall be severed and of no force or effect, and the remaining provisions shall remain in full force and effect and shall not be affected by the invalid or unenforceable provisions or by their severance herefrom.

e. Notices. All notices, reports, requests and other communications (collectively, "Notices") required or permitted hereunder must be in writing and sent to the address set forth below. Any such Notice will be deemed given when: (i) delivered personally against a signed receipt, (ii) sent by confirmed fax (followed by mailing of a copy no later than the next business day), (iii) sent by commercial overnight courier with written verification of receipt, or (iv) five days after being deposited in the mail, postage prepaid (certified or registered, except in the case of reports).

If to SFI:	If to ELEKOM:
SQL Financials International, Inc.	ELEKOM Corporation
3950 Johns Creek Court	City Center Bellevue
Suwanee, GA 30024	Suite 1400, 500 - 108th Avenue
Attn: Chief Financial Officer	Bellevue, Washington 98004
Fax No.: (770) 291-4997	Attn: Chief Financial Officer
	Fax No.: (425) 990-3075

Either party may change its address by sending notice of a change of address as set forth hereunder.

f. Force Majeure. Neither party shall be liable for any delay or failure in performance of this Agreement if caused by an act of God or any factor beyond control of the party. In any such event, the date for the party's performance shall be deferred for a period of time equal to the time lost by reason of such act of God or other factor beyond control, provided that the delayed party shall notify the other party of such occurrence and shall cooperate with the other party in minimizing any adverse impact of such occurrence.

g. Insurance. Throughout the term of this Agreement, SFI and ELEKOM shall maintain general liability, automobile liability and property damage liability insurance coverage underwritten by a Best-A rated insurance carrier. Such insurance shall have policy limits of no less than $1,000,000 per occurrence for death or personal injury, $1,000,000 per occurrence for real and personal property damage, and $2,000,000 (as of the date hereof, to be increased to $5,000,000 within ninety (90) days hereafter), in aggregate liability per year. Such policy shall name the other party as an additional insured and loss payee, and shall include a provision requiring the carrier to notify the other party in writing at least thirty (30) days prior to any cancellation, termination or amendment of such insurance

coverages. In addition SFI and ELEKOM shall each maintain workers' compensation insurance in amounts required by law. Within ten (10) days following the Effective Date of this Agreement and upon any subsequent request by either SFI or ELEKOM, the other party shall deliver a certificate of insurance verifying the foregoing insurance coverage.

h. Relationship of Parties. The parties to this Agreement are independent contractors. There is no relationship of principal to agent, master to servant, employer to employee, or franchiser to franchisee, partnership, nor joint venturers, nor shall either party hold itself out as such. Neither party has the authority to bind the other or incur any obligation on the other's behalf.

i. Captions. The captions in this Agreement have been inserted for the convenience of the parties and shall not be deemed part of the Agreement for any purpose. Wherever the term "including" is used in this Agreement it is used without limitation.

j. Entire Agreement, Amendment, Waiver. This instrument, together with the Exhibits hereto, contains the entire agreement and understanding between the parties and supersedes all prior negotiations, proposals, discussions, correspondence, agreements and understandings relating to the subject matter of this Agreement. The terms and conditions of this Agreement may not be modified or amended except in a written document signed by an officer of each party. No waiver will be implied from conduct or failure to enforce rights on one or more occasions.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

ELEKOM: SFI:

ELEKOM CORPORATION SQL FINANCIALS INTERNATIONAL, INC.

By: ----------	By: ----------
Name: ----------	Name: ----------
Title: ----------	Title: ----------
Date: ----------	Date: ----------

EXHIBIT 10.24

AMENDMENT TO OEM SOFTWARE LICENSE AGREEMENT

THIS AMENDMENT TO OEM SOFTWARE LICENSE AGREEMENT (this "Amendment") is entered into as of the 31st day of August, 1998 (the "Effective Date"), by and between CLARUS CORPORATION, formerly known as SQL Financials, Inc., 3950 Johns Creek Court, Suwanee, Georgia 30024 (hereinafter "Clarus") and ELEKOM CORPORATION, City Center Bellevue, Suite 1400, 500 - 108th Avenue, Bellevue, Washington 98004 (hereinafter "ELEKOM").

RECITALS

WHEREAS, Clarus and ELEKOM are parties to that certain OEM Software License Agreement dated April 14, 1998, as amended (the "OEM Agreement") and desire to amend the OEM Agreement as provided herein;

WHEREAS, Clarus and ELEKOM are parties to that certain Agreement and Plan of Reorganization dated as of the 31st of August, 1998 (the "Merger Agreement") which under certain circumstances set forth in the Merger Agreement provides for certain prepayments and credits to be applied against the license fees due from Clarus under the OEM Agreement; and

WHEREAS, the parties wish to amend the OEM Agreement to provide for the application of such prepayments against the license fees due and payable by Clarus to ELEKOM under the OEM Agreement.

NOW THEREFORE, for and in consideration of the above premises, the covenants contained herein and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Amendment of License Fee Provisions. Exhibit IV of the OEM Agreement is hereby amended by adding the following as Section 4 to such Exhibit IV:

4. Prepayments Under Merger Agreement.

a. The parties acknowledge that SFI shall be entitled to receive a credit against License Fees accruing hereunder pursuant to Section 10.4 of that certain Agreement and Plan of Reorganization dated as of the 31st of August, 1998 (the "Merger Agreement"), under the circumstances set forth in Section 10.4 of the Merger Agreement. Any such credit shall be applied against the License Fees owing for the 1999 calendar year by applying 25% of such credit to the License Fees due in each calendar quarter of 1999. The maximum amount of the credit under Section 10.4 of the Merger Agreement is $500,000 so the most that could be applied against License Fees SFI owes under the OEM Agreement is $125,000 in any calendar quarter of 1999.

b. In the event that SFI prepays any of the License Fees as required pursuant to Section 4.6 of the Merger Agreement, then any such prepayments shall be applied as a credit against any future accruing License Fees that remain due and owing by SFI to ELEKOM after the application of any credits specified by Section 4(a) above until such time as all prepayments made pursuant to Section 4.6 of the Merger Agreement have been applied to such future accruing License Fees.

c. Any credits or prepayments applied against License Fees pursuant to Sections 4(a) and 4(b) above shall be deemed payments of License Fees by SFI to ELEKOM at the time such credits and prepayments are applied against the License Fees and shall be treated as License Fees paid by SFI in the determination of SFI's satisfaction of the License Fee Minimums specified by Section 1(d) above.

2. Continued Effect of Agreements. Except as provided herein, the OEM Agreement shall remain in full force and effect. The provisions of Section 20 of the OEM Agreement shall also govern this Amendment.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

ELEKOM:	CLARUS:
ELEKOM CORPORATION	CLARUS CORPORATION, formerly known as SQL Financials, Inc.
By: ----------	By: ----------
Norman Behar, President and CEO	Stephen P. Jeffery, President and CEO
Date: ----------	Date: ----------

EXHIBIT 21

The following are Subsidiaries of the Registrant:

SQL Financials, LLC, a Georgia limited liability company

SQL Financials Europe, Inc., a Delaware corporation

Clarus CSA, Inc., a Delaware corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made part of this registration statement.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
September 16, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of Clarus Corporation of our report dated August 17, 1998 relating to the financial statements of ELEKOM Corporation, which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that PricewaterhouseCoopers LLP has not prepared or certified such "Selected Financial Data."

PricewaterhouseCoopers LLP
Seattle, Washington
September __, 1998

EXHIBIT 99.1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Stockholders and the Board of Directors
of SQL Financials International, Inc.

We have audited in accordance with generally accepted auditing standards, the financial statements of Clarus Corporation and Subsidiaries included in this Registration Statement and have issued our report thereon dated February 19, 1998. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 16(b) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN

Atlanta, Georgia
February 19, 1998

EXHIBIT 99.2

ELEKOM CORPORATION

PROXY/CONSENT IN LIEU OF SPECIAL MEETING OF SHAREHOLDERS

THIS PROXY/CONSENT IN LIEU OF SPECIAL MEETING OF SHAREHOLDERS IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Norman N. Behar and Wayne Burns, each or either of them, as proxy or proxies, each with full power of substitution, to represent and vote, as designated below, all shares of stock of Elekom corporation ("ELEKOM") held of record by the undersigned on _____, 1998 at the Special Meeting of Shareholders of ELEKOM to be held at the executive offices of ELEKOM at 155-108th Avenue, N.E., Eighth Floor, Bellevue, Washington 98004 on October _____, 1998 at 8:00 am, local time, with authority to vote on the matter listed below and with discretionary authority as to any other matters that may properly come before the meeting or any adjournment or postponement thereof.

PROPOSAL

(1) APPROVAL OF THE AGREEMENT AND PLAN OF REORGANIZATION DATED AUGUST 31, 1998 BY AND AMONG SQL FINANCIALS INTERNATIONAL, INC., CLARUS CSA AND ELEKOM	FOR	AGAINST	ABSTAIN

IMPORTANT -- PLEASE DATE AND SIGN ON THE OTHER SIDE

SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER IN THE SPACE PROVIDED. FAILURE TO VOTE WILL HAVE THE SAME EFFECT AS A VOTE "AGAINST" THE PROPOSAL.

The Board of Directors recommends a vote "FOR" the proposal.

Date: _____

Signature(s) _____

Date: _____

Signature(s)_____

Please sign exactly as you name appears hereon. Attorneys, trustees, executors and other fiduciaries acting in a representative capacity should sign their names and give their titles. An authorized person should sign on behalf of corporations, partnerships, associations, etc. and give his or her title. If your shares are held by two or more persons, each person must sign. Receipt of the notice of meeting and proxy statement is hereby acknowledged.

ALTERNATIVE ACTION BY UNANIMOUS WRITTEN CONSENT

In addition, if the Board of Directors receives proxies form all shareholders unanimously approving the Proposal, the Board of Directors is hereby authorized to consider this Proxy as the written consent of the undersigned approving the Proposal, and the Proposal as having been properly adopted by the unanimous written consent of ELEKOM's shareholders in lieu of holding the Special Meeting.

Date: _____

Signature(s) _____

Date: _____

Signature(s)_____

PLEASE MARK, SIGN DATE AND RETURN THIS PROXY-CONSENT PROMPTLY BY FAXING IT TO WAYNE BURNS, CHIEF FINANCIAL OFFICER OF ELEKOM AT (425) 990-3075 AS SOON AS POSSIBLE, AND IN NO EVENT LATER THAN OCTOBER _____, 1998. PLEASE ALSO MAIL THE PROXY AND CONSENT IN THE ENCLOSED ENVELOPE.

EXHIBIT 99.3

CASH/STOCK ELECTION FORM

TO BE COMPLETED AND SIGNED BY HOLDERS OF COMMON STOCK, SERIES A PREFERRED STOCK OR SERIES B PREFERRED STOCK OF ELEKOM CORPORATION.

NAME(S) AND ADDRESS OF REGISTERED HOLDER(S) OF ELEKOM SHARES:

- ----------

- ----------

- ----------

NUMBER AND DESCRIPTION OF SHARES HELD:

shares of Common Stock of ELEKOM
- ----------

shares of Series A Preferred Stock of ELEKOM
- ----------

shares of Series B Preferred Stock of ELEKOM
- ----------

THE DEADLINE FOR SUBMITTING THIS FORM (THE "ELECTION DEADLINE") IS 5:00 P.M., PACIFIC TIME, ON _____, 1998

Pursuant to the terms of the Agreement and Plan of Reorganization dated as of August 31, 1998 (the "Agreement=) by and among Clarus Corporation ("Clarus"), Elekom Corporation ("ELEKOM") and Clarus CSA, Inc. ("Clarus CSA"), upon consummation of the merger of ELEKOM and Clarus CSA (the "Merger"), each share of ELEKOM will be converted into the right to receive either cash or shares of Clarus Common Stock, or a combination of cash and shares of Clarus Common Stock. ELEKOM=s shareholders are being given the opportunity to elect the form of consideration they will receive in the merger, subject to the election and allocation procedures set forth in Schedule 1.1 to the Agreement.

For a full discussion of the terms of the merger and effect election, see the Proxy Statement/Prospectus dated _____, 1998, and the Agreement (including Schedule 1.1 to the Agreement), which is attached as Appendix A to the Proxy Statement/Prospectus.

This election governs the consideration that you, as a shareholder of ELEKOM, will receive if the Merger is approved and consummated. This election may also affect the income tax treatment of the consideration that you receive. Check one of the boxes below to make an election (i) to have your shares of ELEKOM converted into the right to receive as much cash as possible (a "Cash election"), OR (ii) to have your shares of ELEKOM converted into the right to receive as many

shares of Clarus Common Stock as possible (a "Stock Election"), OR (iii) to have your shares of ELEKOM converted into the right to receive the amounts of cash and Clarus Common Stock (a "Pro Rata Election"), to which you would be entitled in the absence of a Cash Election option or a Stock Election option. IF YOU DO NOT CHECK ANY OF THESE BOXES, YOU WILL BE DEEMED TO HAVE MADE A PRO RATA ELECTION, and you will receive cash and Clarus Common Stock on a pro rata basis pursuant to the election and allocation procedures set forth in Schedule 1.1 to the Agreement.

ELECTION

(THIS SECTION MUST BE COMPLETED)

I hereby elect to receive the following as consideration for my shares of ELEKOM (subject to the election and allocation procedures set forth in Schedule 1.1 to the Agreement):

(CHECK ONLY ONE BOX)

[ ] CASH ELECTION -- All of my shares of ELEKOM converted into the right to receive as much cash as possible.

[ ] STOCK ELECTION -- All of my shares of ELEKOM converted into the right to receive as many shares of Clarus Common Stock as possible.

[ ] PRO RATA ELECTION -- All of my shares of ELEKOM converted into the right to receive cash and shares of Clarus Common stock on a pro rata basis.

YOU WILL BE DEEMED TO HAVE MADE A PRO RATA ELECTION IF:

1. No choice is indicated above;

2. You fail to follow the instructions on this Cash/Stock Election Form or otherwise fail properly to make an election; or

3. A completed Cash/Stock Election Form is not received by the election Deadline.

The amount of cash and the number of shares of Clarus Common Stock to be issued in the Merger are fixed within ranges under the terms of the Agreement. Accordingly, no assurance can be given that a Cash Election or Stock Election by any given shareholder can be fully accommodated. If the aggregate elections are not within the ranges specified in the Agreement, the election of each ELEKOM shareholder will be subject to the election and allocation procedures set forth in Schedule 1.1 to the Agreement.

TO BE EFFECTIVE, THIS CASH/STOCK ELECTION FORM MUST BE PROPERLY COMPLETED, SIGNED AND MAILED, FAXED OR DELIVERED TO THE FOLLOWING ADDRESS PRIOR TO THE ELECTION DEADLINE:

Elekom Corporation
Attention: Wayne Burns
155 - 108th Avenue, N.E., Eighth Floor
Bellevue, WA 98004
Fax No.: (425) 586-2881

For information call Wayne Burns at (425) 586-2781

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SIGNATURES(S) REQUIRED

Signature(s) of Registered Holder(s) or Agent

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