

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

FORM 10-Q

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

or

Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-24277

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

58-1972600

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

One Landmark Square
Stamford, Connecticut 06901

(Address of principal executive offices)
(Zip code)

(203) 428-2000

(Registrant's telephone number, including area code)

One Pickwick Plaza Greenwich, CT 06830

(former address)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES NO

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

COMMON STOCK, (\$.0001 PAR VALUE)

16,588,240 shares outstanding as of August 2, 2004

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CLARUS CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLARUS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
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	JUNE 30, 2004	DECEMBER 31, 2003	
	-----	-----	
<S>	<C>	<C>	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 34,798	\$ 15,045	
Marketable securities	50,150	73,685	
Interest receivable	666	507	
Prepays and other current assets	698	132	
	-----	-----	
Total current assets	86,312	89,369	
PROPERTY AND EQUIPMENT, NET		2,458	38
OTHER ASSETS:			
Deposits and other long-term assets		1,536	38
	-----	-----	
TOTAL ASSETS	\$ 90,306	\$ 89,445	
	=====	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 3,357	\$ 1,520
Deferred revenue	1,106	1,106
	-----	-----
Total current liabilities	4,463	2,626

LONG-TERM LIABILITIES:

Other long-term liabilities	41	--
	-----	-----
Total liabilities	4,504	2,626

STOCKHOLDERS' EQUITY:

Preferred stock, \$.0001 par value; 5,000,000 shares authorized; none issued	--	--
Common stock, \$.0001 par value; 100,000,000 shares authorized; 16,663,240 and 16,649,048 shares issued and 16,588,240 and 16,574,048 outstanding in 2004 and 2003, respectively	2	2
Additional paid-in capital	369,232	367,031
Accumulated deficit	(278,201)	(276,767)
Treasury stock, at cost	(2)	(2)
Accumulated other comprehensive income		(129) (17)
Deferred compensation	(5,100)	(3,428)
	-----	-----
Total stockholders' equity	85,802	86,819

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 90,306 \$ 89,445

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
REVENUES:				
Services fees	\$ --	\$ 25	\$ --	\$ 78
	-----	-----	-----	-----
Total revenues	--	25	--	78
COST OF REVENUES:				
Services fees	--	--	--	--
	-----	-----	-----	-----
Total cost of revenues	--	--	--	--
OPERATING EXPENSES:				
General and administrative	1,202	1,522	1,924	3,831
Depreciation and amortization	14	--	14	761
	-----	-----	-----	-----
Total operating expenses	1,216	1,522	1,938	4,592
OPERATING LOSS	(1,216)	(1,497)	(1,938)	(4,514)
OTHER INCOME	--	75	17	380
INTEREST INCOME	253	390	487	748
INTEREST EXPENSE	--	10	--	66

NET LOSS	\$ (963)	\$ (1,042)	\$ (1,434)	\$ (3,452)
----------	----------	------------	------------	------------

Loss per common share:

Basic	\$ (0.06)	\$ (0.07)	\$ (0.09)	\$ (0.22)
Diluted	\$ (0.06)	\$ (0.07)	\$ (0.09)	\$ (0.22)

Weighted average shares outstanding:

Basic	16,082	15,884	16,082	15,812
Diluted	16,082	15,884	16,082	15,812

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,			
	2004	2003		
	<C>	<C>		
OPERATING ACTIVITIES:				
Net loss	\$ (1,434)	\$ (3,452)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization on property and equipment	14	761		
Amortization of deferred employee compensation	478	--		
Non-cash other	--	(70)		
Amortization of premium on purchase of marketable securities	707	--		
Gain on sale of marketable securities	(17)	--		
Non-cash general and administrative expense	--	86		
Provision for doubtful accounts	--	(67)		
Loss on disposal of assets	--	37		
Changes in operating assets and liabilities:				
Accounts receivable	--	534		
Prepaid and other current assets	(725)	252		
Assets held for sale	--	48		
Deposits and other long-term assets	--	8		
Accounts payable and accrued liabilities	(484)	12		
Deferred revenue	--	(79)		
Liabilities to be assumed	--	(220)		
Other long-term liabilities	41	--		
NET CASH USED IN OPERATING ACTIVITIES	(1,420)	(2,150)		
INVESTING ACTIVITIES:				
Purchases of marketable securities	(47,587)	(109,823)		
Proceeds from sale of marketable securities	51,244	125,629		
Proceeds from maturity of marketable securities	19,076	--		
Proceeds from sale of equipment	--	11		
Increase in transaction costs	(97)	--		
Purchases of property and equipment	(1,514)	(4)		
NET CASH PROVIDED BY INVESTING ACTIVITIES	21,122	15,813		
FINANCING ACTIVITIES:				
Proceeds from the exercises of stock options	51	1,201		
Repayment of debt	--	(5,000)		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	51	(3,799)		
Effect of exchange rate change on cash	--	(48)		
CHANGE IN CASH AND CASH EQUIVALENTS	19,753	9,816		

CASH AND CASH EQUIVALENTS, Beginning of Period	15,045	42,225
CASH AND CASH EQUIVALENTS, End of Period	\$ 34,798	\$ 52,041

SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES

Increase in property and equipment included in accounts payable and accrued liabilities	\$ 920	\$ --
Increase in transaction costs included in other assets and accounts payable and accrued liabilities	1,401	--
Issuance of Restricted Stock	\$ 50	\$ --

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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CLARUS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Clarus Corporation and subsidiaries ("Clarus" or the "Company," which may be referred to as "we," "us," or "our") as of and for the three and six months ended June 30, 2004 and 2003, have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. The results of the three and six months ended June 30, 2004 are not necessarily indicative of the results to be obtained for the year ending December 31, 2004. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 2003, filed with the Securities and Exchange Commission.

NOTE 2. SIGNIFICANT EVENTS

As part of our previously announced strategy to limit operating losses and enable the Company to redeploy its assets and use its substantial cash and cash equivalent assets to enhance stockholder value, on December 6, 2002, we sold substantially all of our electronic commerce business, which represented substantially all of our revenue-generating operations and related assets. During January 2003, we sold the assets relating to our Cashbook product representing the remainder of our operating assets.

We are actively engaged in the negotiation of a significant transaction as part of our strategy to redeploy our cash and utilize our net operating losses, to the extent available, however, no assurance can be given that this transaction will be consummated. Although we have not targeted specific business industries for potential acquisitions, we have sought businesses with substantial cash flow, experienced management teams, and operations in markets offering substantial growth opportunities. In addition, we believe that our common stock, which is publicly traded on the NASDAQ National Market and has a strong institutional stockholder base, offers us flexibility as acquisition currency and has enhanced our attractiveness to potential merger or acquisition candidates. On June 22, 2004, the Company received notice from the staff of The Nasdaq Stock Market that the Company's common stock would be delisted from the Nasdaq National Market effective as of the opening of business on July 1, 2004. The Company has appealed such delisting to the Nasdaq Listing Qualification Panel and such appeal will stay the delisting of the Company's securities pending the Panel's decision.

NOTE 3. EARNINGS (LOSS) PER SHARE

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for each period. Diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive securities, including options, and warrants. Potentially dilutive securities are excluded from the computation of diluted net loss per share attributable to common stockholders if their effect is anti-dilutive. For the periods ended June 30, 2004 and 2003, basic net loss per share attributable to common stockholders is the same as diluted net loss per share attributable to common stockholders because all potentially dilutive securities were anti-dilutive in computing diluted net loss per share for these periods.

Options to acquire 1,130,998 shares of common stock during the period ended June 30, 2003, were outstanding, but not included in the calculation of weighted average number of diluted shares outstanding because the option exercise prices were higher than the average market price of the Company's common stock during that period. In addition, diluted net loss per share attributable to common stockholders excludes the potentially dilutive effect of options to purchase 2,114,138 and 1,125,151 shares of the Company's common stock whose exercise prices were lower than the average market price of the Company's common stock during the periods ended June 30, 2004 and 2003, respectively, as their inclusion would have been anti-dilutive because the Company incurred losses during those periods.

NOTE 4. STOCK-BASED COMPENSATION PLAN

The Company has an employee stock option plan that provides for the issuance of stock options and restricted stock. In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" which amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS No. 123, the Company has elected to follow the guidance of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" in measuring and recognizing its stock-based transactions with

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employees. As such, compensation expense is measured on the date of grant only if the current market price on the date of the grant of the underlying stock exceeds the exercise price. Such compensation expense is recorded on a straight-line basis over the related vesting period with re-evaluations on a quarterly basis for variable awards.

In April 2003, the Company granted 500,000 shares of restricted stock to Warren B. Kandars, the Executive Chairman of the Board. The shares vest over ten years or earlier upon the satisfaction of various conditions including performance based conditions relating to the price of the Company's common stock. Under the provisions of APB Opinion 25, the Company recognizes compensation expense for this variable award over the vesting period. Compensation expense is re-measured on a quarterly basis based upon the current market value of the underlying stock at the end of the period.

The following table shows what the effect on net loss and loss per share if the fair value method of accounting had been applied. For purposes of this pro forma disclosure, the estimated fair value of an option utilizing the Black-Scholes option-pricing model is assumed to be amortized to expense over the option's vesting periods.

<TABLE>
<CAPTION>

3 months ended June 30		6 months ended June 30	
2004	2003	2004	2003
<C>	<C>	<C>	<C>

<S>

Net loss, as reported	\$ (963)	\$ (1,042)	\$ (1,434)	\$ (3,452)
Add stock-based employee compensation expense included in reported net loss, net of tax	232	81	478	84
Deduct total stock-based employee compensation expense determined under fair-value based method for all awards, net of tax	(670)	(1,255)	(1,337)	(1,255)
	-----	-----	-----	-----
Pro forma net loss	\$ (1,401)	\$ (2,216)	\$ (2,292)	\$ (4,623)
	=====	=====	=====	=====

Basic and diluted net loss per share:

As reported	\$ (0.06)	\$ (0.07)	\$ (0.09)	\$ (0.22)
Add stock-based employee compensation expense included in reported net loss, net of tax	0.01	0.01	0.03	0.01
Deduct total stock-based employee compensation expense determined under fair-value based method for all awards, net of tax.....	(0.04)	(0.08)	(0.08)	(0.08)
	-----	-----	-----	-----
Pro forma basic and diluted net loss per share	\$ (0.09)	\$ (0.14)	\$ (0.14)	\$ (0.29)
	=====	=====	=====	=====

</TABLE>

For computing the fair value of stock-based employee awards, 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:

	2004	2003
	----	----
Dividend yield.....	0.0%	N/A
Expected volatility.....	62.0%	N/A
Risk-free interest rate.....	2.7%	N/A
Expected life.....	Four years	N/A

As there were no stock options granted in the three-month periods ended June 30, 2004 and 2003, respectively, nor in the six-month period ended June 30, 2003, the above assumptions are not applicable. Using these assumptions, the fair value of the stock options granted during the six-month period ended June 30, 2004, was approximately \$148,000, which would be amortized over the vesting period of the options. The weighted-average grant-date fair value per share of the stock options granted during the six-month period ended June 30, 2004 was \$4.24.

NOTE 5. RESTRUCTURING AND RELATED COSTS

During 2002 and 2001, the Company's management approved restructuring plans to reorganize and reduce operating costs. During 2003, the Company determined that actual restructuring and related costs would exceed the amount previously provided and recorded an additional restructuring cost of \$250,000, comprised of \$223,000 for employee separation costs and \$27,000 for facility closure and consolidation costs. In 2004, the Company determined that facility closure costs would exceed the amount previously provided and recorded an additional facility closure and consolidation cost of \$20,000.

The facility closure costs relate to the abandonment of the Company's leased facilities near Toronto, Canada. Total facility closure and consolidation costs include remaining lease liability and brokerage fees to sublet the abandoned space, net of estimated sublease income. The estimated costs of abandoning these leased facilities, including estimated costs to sublease, were based on market information trend analysis provided by a commercial real estate brokerage firm retained by the Company.

The employee separation costs relate to the employees who remained to close down the Suwanee, Georgia office and the separation agreement for Stephen Jeffery, the Company's former Chief Executive Officer and Chairman of the Board of Directors.

The following is a reconciliation of the components of the accrual for restructuring and related costs, the amounts charged against the accrual during 2003 and 2004 and the balance of the accrual as of June 30, 2004:

(in thousands)	Employee Separation Costs	Facility Closing Costs	Total Restructuring and Related Costs	
Balance at December 31, 2002	\$ 927	\$ 137	\$ 1,064	
Accruals during 2003	223	27	250	
Expenditures during 2003	(1,025)	(59)	(1,084)	
Balance at December 31, 2003	125	105	230	
Accruals during 2004	--	20	20	
Expenditures during 2004	(73)	(35)	(108)	
Balance at June 30, 2004	\$ 52	\$ 90	\$ 142	

The accrual for restructuring and related costs is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

NOTE 6. COMPREHENSIVE INCOME (LOSS)

The Company utilizes SFAS No. 130 "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and presentation of comprehensive income (loss) and its components of net income (loss) and "Other Comprehensive Income (Loss)." "Other Comprehensive Income (Loss)" refers to revenues, expenses and gains and losses that are not included in net income (loss) but rather are recorded directly in stockholders' equity. The components of comprehensive loss for the three and six months ended June 30, 2004 and 2003, were as follows:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
(in thousands)	<C>	<C>	<C>	<C>
Net loss	\$ (963)	\$ (1,042)	\$ (1,434)	\$ (3,452)
(Increase)/decrease in unrealized loss on marketable securities		(170)	37	(112) 98
Comprehensive loss	\$ (1,133)	\$ (1,005)	\$ (1,546)	\$ (3,354)

</TABLE>

NOTE 7. CONTINGENCIES

The Company is a party to the following pending judicial proceeding.

Following its public announcement on October 25, 2000 of its financial results for the third quarter of 2000, the Company and certain of its directors and officers were named as defendants in fourteen putative class action lawsuits filed in the United States District Court for the Northern District of Georgia. The fourteen class action lawsuits were consolidated into one case, Case No. 1:00-CV-2841, pursuant to an order of the court dated November 17, 2000. A consolidated amended complaint was then filed on May 14, 2001 on behalf of all purchasers of common stock of the Company during the period beginning December 8, 1999 and ending on October 25, 2000. Generally the amended complaint alleges claims against the Company and the other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. Generally, it is alleged that the defendants made material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and in certain press releases and other public statements. The amended complaint alleges that the market price of the Company's common stock was artificially inflated during the class periods. The plaintiffs sought unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. In July 2004, the Company entered into a memorandum of understanding with the plaintiffs' counsel, on behalf of the consolidated class.

Pursuant to the memorandum, the Company agreed in principle to settle the consolidated class action in exchange for a payment of \$4.5 million which is expected to be covered by insurance. The final settlement of the consolidated class action is subject to certain action including the execution of definitive documentation and approval by the Court.

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In the normal course of business, we are subjected to claims and litigations in the areas of general liability. We believe that we have adequate insurance coverage for most claims that are incurred in the normal course of business. In such cases, the effect on our financial statements is generally limited to the amount of our insurance deductibles. At this time, we do not believe any such claims will have a material impact on the Company's consolidated financial position or results of operations.

NOTE 8. RECLASSIFICATIONS

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

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

These and other statements, which are not historical facts, are based largely upon our current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, our planned effort to redeploy our assets and use our substantial cash and cash equivalent assets to enhance stockholder value following the sale of substantially all of our electronic commerce business, which represented substantially all of our revenue generating operations and related assets, and the risks and uncertainties set forth in the section headed "Factors That May Affect Our Future Results" of Part I of our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2003 and described below. The Company cannot guarantee its future performance.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The Company's discussion of financial condition and results of operations are based on the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. The Company continually

evaluates its estimates and assumptions including those related to contingencies and litigation. The Company bases its estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company believes the following critical accounting policies include the more significant estimates and assumptions used by management in the preparation of its consolidated financial statements.

-- The Company accounts for its marketable securities under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Pursuant to the provisions of SFAS No. 115, the Company has classified its marketable securities as available-for-sale. Available-for-sale securities have been recorded at fair value and related unrealized gains and losses have been excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized.

-- The Company is party to a pending judicial proceeding described more fully in Part I, Item 3 of the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2003 and Part II, Item 1 of this Quarterly Report on Form 10-Q. In July 2004, the Company entered into a memorandum of understanding to settle a securities class action brought against the Company that was originally filed in 2000. Pursuant to the memorandum, the Company agreed in principle to settle the consolidated class action in exchange for a payment of \$4.5 million, which is expected to be covered by insurance. The final settlement of the consolidated class action is subject to certain action including the execution of definitive documentation and approval by the Court.

SOURCES OF REVENUE

Prior to December 6, 2002, the Company's revenue consisted of license fees and services fees. License fees were generated from the licensing of the Company's suite of products. Services fees were generated from consulting, implementation, training, content aggregation and maintenance support services. Following the sale of substantially all of the Company's remaining operating assets, the Company's revenue consists primarily of the recognition of deferred service fees that are recognized ratably over the maintenance term. The remaining deferred revenue is expected to be fully recognized during the period ended September 30, 2004. Prior to a redeployment of the Company's assets, the Company's income sources will consist of interest, dividend and other investment income from short-term investments that is reported as interest income in the Company's consolidated statement of operations.

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REVENUE RECOGNITION

Prior to the December 6, 2002 sale of substantially all of the Company's revenue generating operations and assets, the Company recognized revenue from two primary sources, software licenses and services. Revenue from software licensing and services fees was recognized in accordance with SOP 97-2, "Software Revenue Recognition," and SOP 98-9, "Software Revenue Recognition with Respect to Certain Transactions" and related interpretations. The Company recognizes software license revenue when: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the fee is fixed or determinable; and (4) collectibility is probable.

OPERATING EXPENSES

General and administrative expenses consist primarily of personnel-related expenses for financial, administrative and management personnel, franchise taxes, fees for professional services, occupancy fees, insurance, board of director fees and in 2003, a provision for doubtful accounts. Occupancy charges include rent, utilities, and maintenance services.

RESTRUCTURING AND RELATED COSTS

See "Restructuring and Related Costs" Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

OVERVIEW

AS PART OF OUR PREVIOUSLY ANNOUNCED STRATEGY TO LIMIT OPERATING LOSSES AND ENABLE THE COMPANY TO REDEPLOY ITS ASSETS AND USE ITS SUBSTANTIAL CASH AND CASH EQUIVALENT ASSETS TO ENHANCE STOCKHOLDER VALUE, ON DECEMBER 6, 2002 WE SOLD SUBSTANTIALLY ALL OF OUR ELECTRONIC COMMERCE BUSINESS, WHICH REPRESENTED SUBSTANTIALLY ALL OF OUR REVENUE-GENERATING OPERATIONS AND RELATED ASSETS. THE INFORMATION APPEARING BELOW, WHICH RELATES TO PRIOR PERIODS, IS THEREFORE NOT INDICATIVE OF THE RESULTS THAT MAY BE EXPECTED FOR ANY SUBSEQUENT PERIODS. THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 PRIMARILY REFLECT, AND FUTURE PERIODS PRIOR TO A REDEPLOYMENT OF OUR ASSETS ARE EXPECTED TO PRIMARILY REFLECT, GENERAL AND ADMINISTRATIVE EXPENSES ASSOCIATED WITH THE CONTINUING ADMINISTRATION OF THE COMPANY AND ITS EFFORTS TO REDEPLOY ITS ASSETS.

RESULTS OF OPERATIONS - COMPARISON OF SECOND QUARTER 2004 TO SECOND QUARTER 2003

REVENUE

Revenues from operations for the three- and six-month periods ended June 30, 2003 were \$25,000 and \$78,000, respectively. There was no revenue for the same periods in 2004. The decrease in revenue resulted from the expiration of maintenance agreements in 2003, which resulted from the sale of substantially all of the Company's revenue generating operations and related assets, discussed above.

GENERAL AND ADMINISTRATIVE

General and administrative expenses declined to \$1.2 million during the quarter ended June 30, 2004, compared to \$1.5 million during the quarter ended June 30, 2003. General and administrative expenses declined to \$1.9 million during the period ended June 30, 2004 compared to \$3.8 million during the same period in 2003. This trend is consistent with management's stated strategy to maintain our expenditure rate, to the extent practicable, near the level of our investment income until the completion of an acquisition or merger in connection with our asset redeployment strategy. General and administrative expenses include salaries and employee benefits, franchise taxes, rent, insurance, legal, accounting and other professional fees as well as public company expenses such as transfer agent and listing fees and expenses. The decrease in general and administrative expense for the three and six months ended June 30, 2004, compared to the same periods last year, primarily was attributable to decreased professional fees, non-recurring costs in 2003 associated with the closing of the Company's facility in Suwanee, Georgia and the windup costs associated with the Company's subsidiaries located overseas, and the recognition of deferred compensation expense for the restricted stock issued to Warren B. Kanders, the Company's Executive Chairman, in April of 2003.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was \$14,000 in the three- and six-month period ended June 30, 2004, compared to less than \$1,000 and \$761,000 respectively, in the same periods ended June 30, 2003. The occupancy of the Company's corporate headquarters in Stamford, Connecticut in June 2004, created the increase in depreciation and amortization due to recognition of amortization on leasehold improvements put into service in June 2004. The decrease from the six-month period ended 2003 was primarily attributable to the write-down of certain assets and the sale of substantially all of the Company's operating assets.

OTHER INCOME

For the quarter ended June 30, 2004, the Company had no gains or losses as compared to the quarter ended June 30, 2003 when the Company recorded a gain of \$75,000 from the extinguishment of debt and disposal of assets. During the six months ended June 30, 2004, the Company recorded a gain of \$17,000 from the sale of marketable securities as compared to the six-month period ended June 30, 2003 when the Company recorded a loss of \$380,000 on disposal of assets and a gain from the early extinguishment of debt.

INTEREST INCOME

Interest income decreased to \$253,000 in the quarter ended June 30, 2004 from \$390,000, in the same period of 2003. For the six-month period ended June 30, 2004, interest income decreased to \$487,000 from \$748,000 during the six-month

period ended June 30, 2003. The decrease in interest income for all periods was due to lower levels of cash and cash equivalents available for investment and lower interest rates.

INTEREST EXPENSE

Interest expense was \$10,000 and \$66,000 for the three- and six-month periods ended June 30, 2003, respectively. In March of 2000, the Company entered into a \$5.0 million borrowing arrangement with an interest rate of 4.5% with Peachtree Equity Partners L.P., assignee of Wachovia Capital Investments, Inc. The interest expense in 2003 is related to this agreement which was repaid on April 17, 2003.

INCOME TAXES

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded during the quarters ended June 30, 2004 and 2003, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased to \$34.8 million at June 30, 2004 from \$15.0 million at December 31, 2003. Marketable securities decreased to \$50.2 million at June 30, 2004 from \$73.7 million at December 31, 2003. The overall decrease of \$3.8 million in cash and cash equivalents and marketable securities is due to the Company's investment in leasehold improvements at our new corporate offices in Stamford, Connecticut, potential transaction costs, coupled with cash used in operating activities.

Cash used by operating activities was approximately \$1.4 million during the six-month period ended June 30, 2004. This was primarily attributable to the Company's net loss, an increase in interest receivable, prepaid and other current assets, offset by a decrease in accounts payable and accrued liabilities, partially offset by non-cash items. Cash used in operating activities was approximately \$2.2 million during the six month period ended June 30, 2003. This was primarily attributable to the Company's net loss partially offset by a decrease in accounts receivable and prepaid and other current assets and an increase in accounts payable and accrued liabilities.

Cash provided by investing activities was approximately \$21.1 million during the six-month period ended June 30, 2004. The cash was provided primarily from the sale and maturity of marketable securities partially offset by the purchase of marketable securities, an increase in transaction related costs including legal and professional fees, and construction costs associated with the leasehold improvements at our new corporate offices in Stamford, Connecticut. Cash provided by investing activities was approximately \$15.8 million during the six-month period ended June 30, 2003. The cash was provided primarily from the sale and maturity of marketable securities partially offset by the purchase of marketable securities.

Cash provided by financing activities was approximately \$51,000 during the six-month period ended June 30, 2004, compared to cash used by financing activities of approximately \$3.8 million during the six-month period ended June 30, 2003. The cash provided by financing activities during the six-month period ended June 30, 2004 was attributable to proceeds from the exercise of stock options. The cash used by financing activities during the six months ended June 30, 2003 was primarily attributable to the early repayment of debt to Peachtree Partners, L.P. as discussed earlier.

At June 30, 2004, the Company has net operating loss, capital loss, research and experimentation credit and alternative minimum tax credit carry-forwards for U.S. federal income tax purposes of approximately \$128.7 million, \$15.2 million, \$1.3 million and \$53,000, respectively, which expire in varying amounts beginning in the year 2009. The Company also has incurred foreign losses in the amount of approximately \$4.0 million that are available to offset future taxable income in foreign jurisdictions. The Company has recognized a full valuation allowance against these net operating losses as of June 30, 2004. The Company's ability to benefit from certain net operating loss carry-forwards is limited under section 382 of the Internal Revenue Code due to a prior ownership change of greater than 50%. The Company estimates approximately \$113.8 million of the \$128.7 million of U.S. net operating loss carry-forward is available currently to offset taxable income that the Company may recognize in the future. Additional net operating loss carryforwards in the amount of approximately \$12.9

million will become available to the Company in various increments through the year 2011 as the utilization limitations imposed by IRC section 382 gradually expire over the period. It is expected that approximately \$2.0 million of the total net operating loss carryforward will expire without becoming available.

RELATED PARTY TRANSACTIONS

In September 2003, the Company and Kanders & Company, an entity owned and controlled by the Company's Executive Chairman, Warren B. Kanders, entered into a 15-year lease with a five-year renewal option, as co-tenants to lease approximately 11,500 square feet in Stamford, Connecticut. The Company and Kanders & Company have initially agreed to allocate the total lease payments of \$24,438 per month on the basis of Kanders & Company renting 2,900 square feet initially for \$6,163 per month, and the Company renting 8,600 square feet initially for \$18,275 per month, which are subject to increases during the term of the lease. The lease provides the co-tenants with an option to terminate the lease in years eight and ten in consideration for a termination payment. The Company and Kanders & Company have also agreed to pay for their proportionate share of the build-out construction costs, fixtures, equipment and furnishings related to preparation of the space. In connection with the lease, the Company obtained a stand-by letter of credit in the amount of \$850,000 to secure lease obligations for the Stamford facility. Kanders & Company reimburses the Company for a pro rata portion of the approximately \$5,000 annual cost of the letter of credit. Monthly lease payments began in March 2004 and the Company commenced occupancy in June 2004.

As of June 30, 2004, the Company had outstanding receivables of \$49,000 from Kanders & Company. The receivable relates to Kanders & Company's proportionate share of the build-out construction costs of the Stamford office lease discussed above, out-of-pocket expenses incurred by the Company related to the Stamford property and the Company's former office in Greenwich Connecticut, and general and administrative costs paid by the Company on behalf of Kanders & Company. The amount outstanding at June 30, 2004 is included in prepaids and other assets in the accompanying condensed consolidated balance sheet. The outstanding amount was paid in July 2004.

During the quarter ended June 30, 2003, the Company paid \$9,000, to Kanders Aviation LLC, an affiliate of the Company's Executive Chairman, Warren B. Kanders, for reimbursement of expenses relating to aircraft travel by directors and officers of the Company. This travel related to Board meetings, meetings for potential redeployment transactions and the closing of the Atlanta facility. There is no comparable expense in the quarter ended June 30, 2004.

After the closing of the sale of the e-commerce software business, Steven Jeffery, resigned as the Company's Chief Executive Officer and Chairman of the Board of Directors. Under Mr. Jeffery's employment agreement, he received a severance payment equal to one year's salary of \$250,000. In addition, Mr. Jeffery continued to be a member of our Board of Directors and entered into a three-year consulting agreement with the Company and will receive total consideration of \$250,000 payable over two years. At June 30, 2004, approximately \$52,000 remained outstanding and is included in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheet.

In the opinion of management, the rates, terms and considerations of the transactions with the related parties described above approximate those that the Company would have received in transactions with unaffiliated parties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposures to market risk since December 31, 2003.

ITEM 4. PROCEDURES AND CONTROLS

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Administrative Officer and Controller, its principal executive officer and principal financial officer, respectively, of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2004,

pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Administrative Officer and Controller, concluded that the Company's disclosure controls and procedures as of June 30, 2004 are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Exchange Act, within the time periods specified in the Securities and Exchange Commission's rules and forms. The Company's Chief Administrative Officer and Controller, also concluded that the Company's disclosure controls and procedures as of June 30, 2004 are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act. No changes in the Company's internal control over financial reporting have come to management's attention as of June 30, 2004 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to a judicial proceeding, described more fully in Part I, Item 3 of the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2003. In July 2004, the Company entered into a memorandum of understanding with the plaintiffs' counsel, on behalf of the consolidated class, to settle a securities class action brought against the Company that was originally filed in 2000. Pursuant to the memorandum, the Company agreed in principle to settle the consolidated class action in exchange for a payment of \$4.5 million which is expected to be covered by insurance. The final settlement of the consolidated class action is subject to certain action including the execution of definitive documentation and approval by the Court.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual meeting of stockholders on June 24, 2004. Of the 16,082,426 shares of common stock entitled to vote at the meeting, 13,875,575 shares of common stock were present in person or by proxy and entitled to vote. Such number of shares represented approximately 86.2% of our outstanding shares of common stock. Listed below is the matter voted upon at our annual meeting of stockholders and the voting results:

<TABLE>
<CAPTION>

	Voted FOR	Abstained/ Voted Against	Broker Non-Votes	
	-----	-----	-----	
<S>	<C>	<C>	<C>	
Election of Directors:				
Burt R. Ehrlich	13,694,392	181,183	-	
Donald L. House	13,499,933	375,642	-	
Stephen P. Jeffrey	13,499,876	375,699	-	
Warren B. Kanders	13,500,532	375,043	-	
Nicholas Sokolow	13,603,917	271,658	-	

</TABLE>

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits listed below are filed with or furnished as a part of this report.

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) We filed the following reports on Form 8-K during the second quarter of 2004:

A report dated May 6, 2004, with respect to Items 7 and 12, furnishing a copy of a press release issued on May 6, 2004, announcing the Company's earnings for the three-month period ended March 31, 2004.

A report dated June 28, 2004, with respect to Items 5 and 7, relating to a press release dated June 25, 2004, announcing that the Company has received notice from the staff of The Nasdaq Stock Market that the Company's common stock will be delisted from the Nasdaq National Market and that the Company has appealed such delisting to the Nasdaq Listing Qualification Panel.

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SIGNATURE

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

CLARUS CORPORATION

Date: August 6, 2004

/s/ Nigel P. Ekern,

Nigel P. Ekern,
Chief Administrative Officer
(Principal Executive Officer)

/s/ Susan Luckfield,

Susan Luckfield,
Controller
(Principal Financial Officer)

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EXHIBIT INDEX

Number Exhibit

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Nigel P. Ekern, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clarus Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/s/ Nigel P. Ekern

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Susan Luckfield certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clarus Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

/s/ Susan Luckfield

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Nigel P. Ekern, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Clarus Corporation on Form 10-Q for the quarter ended June 30, 2004, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Clarus Corporation.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 6, 2004 By: /s/ Nigel P. Ekern

Name: Nigel P. Ekern
Title: Chief Administrative Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan Luckfield, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Clarus Corporation on Form 10-Q for the quarter ended June 30, 2004, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Clarus Corporation.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 6, 2004 By: /s/ Susan Luckfield

Name: Susan Luckfield
Title: Controller
(Principal Financial Officer)