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

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

|_| 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 of Incorporation)	(I.R.S. Employer Identification No.)

One Landmark Square
Stamford, Connecticut 06901
(Address of principal office, including zip code)

(203) 428-2000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: Common Stock, par value $.0001

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 period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES |X| NO |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). |X|

The aggregate market value of the voting stock and non-voting common equity held by non-affiliates of the Registrant at June 30, 2004 was approximately $160.0 million based on $11.50 per share, the closing price of the common stock as quoted on the Nasdaq National Market.

The number of shares of the Registrant's common stock outstanding at March 1, 2005 was 16,787,814 shares.

DOCUMENT INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the Registrant's 2004 fiscal year end are incorporated by reference into Part III of this report.

<TABLE>
<CAPTION>
TABLE OF CONTENTS

ITEM 1. BUSINESS

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 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 this Report and described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of this Report. The Company cannot guarantee its future performance.

OVERVIEW

Clarus Corporation ("Clarus" or the "Company," which may be referred to as "we," "us," or "our") was formerly a provider of e-commerce business solutions until the sale of substantially all of its operating assets in December 2002. We are currently seeking to redeploy our cash and cash equivalent assets to enhance stockholder value and are seeking, analyzing and evaluating potential acquisition and merger candidates. We were incorporated in Delaware in 1991 under the name SQL Financials, Inc. In August 1998, we changed our name to Clarus Corporation. Our principal corporate office is located at One Landmark Square, Stamford, Connecticut 06901 and our telephone number is (203) 428-2000.

BUSINESS

At the 2002 annual meeting of our stockholders held on May 21, 2002, Warren B. Kanders, Burtt R. Ehrlich and Nicholas Sokolow were elected by our stockholders to serve on our Board of Directors. Under the leadership of these new directors, our Board of Directors adopted a strategy of seeking to enhance stockholder value by pursuing opportunities to redeploy our assets through an acquisition of, or merger with, an operating business that will serve as a platform company, using our cash, other non-operating assets (including, to the extent available, our net operating loss carryforward) and our publicly-traded stock to enhance future growth. The strategy also sought to reduce significantly our cash expenditure rate by targeting, to the extent practicable, our overhead expenses to the amount of our investment income until the completion of an acquisition or merger. While the Company's expenses have been significantly reduced, management currently believes that the Company's operating expenses will exceed investment income during 2005.

As part of our strategy to enhance stockholder value, on December 6, 2002, we consummated the sale of substantially all of the assets of our electronic commerce business, which represented substantially all of our revenue generating operations and related assets, to Epicor Software Corporation ("Epicor"), a Delaware corporation, for a purchase price of $1.0 million in cash (the "Asset Sale"). Epicor is traded on the Nasdaq National Market under the symbol "EPIC."

The sale included licensing, support and maintenance activities from our eProcurement, Sourcing, View (for eProcurement), eTour (for eProcurement), ClarusNET, and Settlement software products, our customer lists, certain contracts and certain intellectual property rights related to the purchased assets, maintenance payments and certain furniture and equipment. In connection with the sale, we entered into a Transition Services Agreement until March 31, 2003, that allowed Epicor to use a portion of our facility in Suwanee, Georgia to operate the electronic commerce business that Epicor purchased in the Asset Sale. Epicor agreed to assume certain of our liabilities, such as executory obligations arising under certain contracts, agreements and commitments related

to the transferred assets. We remain responsible for all of our other liabilities including liabilities under certain contracts, including any violations of environmental laws and for our obligations related to any of our indebtedness, employee benefit plans or taxes that are or were due and payable in connection with the acquired assets on or before the closing date of the Asset Sale.

Upon the closing of the sale to Epicor, Warren B. Kanders assumed the position of Executive Chairman of the Board of Directors, Stephen P. Jeffery ceased to serve as Chief Executive Officer and Chairman of the Board, and James J. McDevitt ceased to serve as Chief Financial Officer and Corporate Secretary. Mr. Jeffery agreed to continue to serve on the Board of Directors and serve in a consulting capacity for a period of three years. In addition, the Board of Directors appointed Nigel P. Ekern as Chief Administrative Officer to oversee the operations of Clarus and to assist with our asset redeployment strategy.

On January 1, 2003, we sold the assets related to our Cashbook product, which were excluded from the Epicor transaction, to an employee group headquartered in Limerick, Ireland. This completed the sale of nearly all of our active software operations as part of our strategy to limit operating losses and enable us to reposition our business in order to enhance stockholder value. In anticipation of the redeployment of our assets, our cash balances are being held in short-term, highly rated instruments designed to preserve safety and liquidity and to exempt us from registration as an investment company under the Investment Company Act of 1940.

We are currently working to identify suitable merger partners or acquisition opportunities. Although we are not targeting specific industries for potential acquisitions, we plan to seek 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 has a strong institutional stockholder base, offers us flexibility as acquisition currency and will enhance our attractiveness to potential merger or acquisition candidates. This strategy is, however, subject to certain risks. See "Factors That May Affect Our Future Results" below.

As previously disclosed in our Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2004, The Company's common stock was delisted from the Nasdaq National Market effective with the open of business on October 5, 2004. The delisting followed a determination by the Nasdaq Listing Qualifications Panel that the Company was a "public shell" and should be delisted due to policy concerns raised under Nasdaq Marketplace Rules 4300 and 4300(a)(3). The Company's common stock is now quoted on the Pink Sheets Electronic Quotation Service under the symbol "CLRS.PK."

At the Company's annual stockholders meeting on July 24, 2003, the stockholders approved an amendment, (the "Amendment") to our Amended and Restated Certificate of Incorporation to restrict certain acquisitions of Clarus' securities in order to help assure the preservation of its net operating loss tax carryforward ("NOL"). Although the transfer restrictions imposed on our securities is intended to reduce the likelihood of an impermissible ownership change, no assurance can be given that such restrictions would prevent all transfers that would result in an impermissible ownership change. The Amendment generally restricts and requires prior approval of our Board of Directors of direct and indirect acquisitions of the Company's equity securities if such acquisition will affect the percentage of our capital stock that is treated as owned by a 5% stockholder. The restrictions will generally only affect persons trying to acquire a significant interest in our common stock.

PRIOR BUSINESS

Prior to the sale of substantially all of our operating assets in December 2002, we developed, marketed and supported Internet-based business-to-business ("B2B") e-commerce software that automated the procurement, sourcing, and settlement of goods and services. Our software was designed to help organizations reduce the costs associated with the purchasing and payment settlement of goods and services, and help to maximize procurement economies of scale. Our client services organization provided our customers and strategic partners with implementation services, training and technical support.

There were several milestones in the evolution of our business prior to the December 2002 sale. On May 26, 1998, we completed an initial public offering of our common stock in which we sold 2.5 million shares of common stock at $10.00 per share, resulting in net proceeds to us of approximately $22.0 million. On October 18, 1999, we sold substantially all of the assets of our financial and human resources software ("ERP") business to Geac Computer Systems, Inc. and Geac Canada Limited. In this sale we received approximately $13.9 million. On March 10, 2000, we sold 2,243,000 shares of common stock in a secondary public offering at $115.00 per share resulting in net proceeds to us of approximately

$244.4 million.

EMPLOYEES

All of our employees are based in the United States. As of December 31, 2004, we had a total of seven employees, all of which are located in our Stamford, Connecticut headquarters. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We have not experienced any work stoppages and consider our relationship with our employees to be good.

FACTORS THAT MAY AFFECT OUR FUTURE RESULTS

In addition to other information in this annual report on Form 10-K, the following risk factors should be carefully considered in evaluating our business because such factors may have a significant impact on our business, operating results, liquidity and financial condition. However, the risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or which are currently deemed immaterial may also impair our financial condition. If any of these risks actually occur, our financial condition could be materially adversely affected.

RISKS RELATED TO CLARUS

WE CONTINUE TO INCUR OPERATING LOSSES.

As a result of the sale of substantially all of our electronic commerce business, we will no longer generate revenue previously associated with the products and contracts comprising our electronic commerce business. We are not profitable and have incurred an accumulated deficit of $279.7 million from our inception through December 31, 2004. Our current ability to generate revenues and to achieve profitability and positive cash flow will depend on our ability to redeploy our assets and use our cash and cash equivalent assets to reposition our business whether it is through a merger or acquisition. Our ability to become profitable will depend, among other things, (i) on our success in identifying and acquiring a new operating business, (ii) on our development of new products or services relating to our new operating business, and (iii) on our success in distributing and marketing our new products or services.

WE MAY BE UNABLE TO REDEPLOY OUR ASSETS SUCCESSFULLY.

As part of our strategy to limit operating losses and enable Clarus to redeploy its assets and use its cash and cash equivalent assets to enhance stockholder value, we have sold our electronic commerce business, which represented substantially all of our revenue-generating operations and related assets. We are pursuing a strategy of identifying suitable merger partners and acquisition candidates that will serve as a platform company. Although we are not targeting specific business industries for potential acquisitions, we plan to seek businesses with cash flow, experienced management teams, and operations in markets offering growth opportunities. We may not be successful in acquiring such a business or in operating any business that we acquire. Failure to redeploy successfully will result in our inability to become profitable.

Even if we identify an appropriate acquisition opportunity, we may be unable to negotiate favorable terms for that acquisition. We may be unable to select, manage or absorb or integrate any future acquisitions successfully. Any acquisition, even if effectively integrated, may not benefit our stockholders. Any acquisitions that we attempt or complete may involve a number of unique risks including: (i) executing successful due diligence; (ii) our exposure to unforeseen liabilities of acquired companies; and (iii) our ability to integrate and absorb the acquired company successfully. We may be unable to address these problems successfully.

WE WILL INCUR SIGNIFICANT COSTS IN CONNECTION WITH OUR EVALUATION OF SUITABLE MERGER PARTNERS AND ACQUISITION CANDIDATES.

As part of our plan to redeploy our assets, our management is seeking, analyzing and evaluating potential acquisition and merger candidates. We have incurred and will continue to incur significant costs, such as due diligence and legal and other professional fees and expenses, as part of these redeployment efforts. In 2004, we incurred $1.6 million of transaction related expenses during due diligence and negotiation of potential acquisitions. Notwithstanding these efforts and expenditures, we cannot give any assurance that we will identify an appropriate acquisition opportunity in the near term, or at all.

WE WILL LIKELY HAVE NO OPERATING HISTORY IN OUR NEW LINE OF BUSINESS, WHICH IS YET TO BE DETERMINED, AND THEREFORE WE WILL BE SUBJECT TO THE RISKS INHERENT IN ESTABLISHING A NEW BUSINESS.

We have not identified what our new line of business will be; therefore, we cannot fully describe the specific risks presented by such business. It is likely that we will have had no operating history in the new line of business and it is possible that the target company may have a limited operating history in its business. Accordingly, there can be no assurance that our future operations will generate operating or net income, and as such our success will be subject to the risks, expenses, problems and delays inherent in establishing a new line of business for Clarus. The ultimate success of such new business cannot be assured.

WE MAY BE UNABLE TO REALIZE THE BENEFITS OF OUR NET OPERATING LOSS ("NOL") AND TAX CREDIT CARRYFORWARDS.

NOLs may be carried forward to offset federal and state taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current federal corporate income tax rates, our NOL and other carryforwards could provide a benefit to us, if fully utilized, of significant future tax savings. However, our ability to use these tax benefits in future years will depend upon the amount of our otherwise taxable income. If we do not have sufficient taxable income in future years to use the tax benefits before they expire, we will lose the benefit of these NOL carryforwards permanently. Consequently, our ability to use the tax benefits associated with our substantial NOL will depend significantly on our success in identifying suitable merger partners and/or acquisition candidates, and once identified, successfully consummate a merger with and/or acquisition of these candidates.

Additionally, if we underwent an ownership change, the NOL carryforward limitations would impose an annual limit on the amount of the taxable income that may be offset by our NOL generated prior to the ownership change. If an ownership change were to occur, we may be unable to use a significant portion of our NOL to offset taxable income. In general, an ownership change occurs when, as of any testing date, the aggregate of the increase in percentage points of the total amount of a corporation's stock owned by "5-percent stockholders" within the meaning of the NOL carryforward limitations whose percentage ownership of the stock has increased as of such date over the lowest percentage of the stock owned by each such "5-percent stockholder" at any time during the three-year period preceding such date is more than 50 percentage points. In general, persons who own 5% or more of a corporation's stock are "5-percent stockholders," and all other persons who own less than 5% of a corporation's stock are treated, together, as a single, public group "5-percent stockholder," regardless of whether they own an aggregate of 5% of a corporation's stock.

The amount of NOL and tax credit carryforwards that we have claimed has not been audited or otherwise validated by the U.S. Internal Revenue Service. The IRS could challenge our calculation of the amount of our NOL or our determinations as to when a prior change in ownership occurred and other provisions of the Internal Revenue Code, may limit our ability to carry forward our NOL to offset taxable income in future years. If the IRS was successful with respect to any such challenge, the potential tax benefit of the NOL carryforwards to us could be substantially reduced.

CERTAIN TRANSFER RESTRICTIONS IMPLEMENTED BY US TO PRESERVE OUR NOL MAY NOT BE EFFECTIVE OR MAY HAVE SOME UNINTENDED NEGATIVE EFFECTS.

On July 24, 2003, at our Annual Meeting of Stockholders, our stockholders approved an amendment (the "Amendment") to our Amended and Restated Certificate of Incorporation to restrict certain acquisitions of our securities in order to help assure the preservation of our NOL. The Amendment generally restricts direct and indirect acquisitions of our equity securities if such acquisition will affect the percentage of Clarus' capital stock that is treated as owned by a "5-percent stockholder."

Although the transfer restrictions imposed on our capital stock is intended to reduce the likelihood of an impermissible ownership change, there is no guarantee that such restrictions would prevent all transfers that would result in an impermissible ownership change. The transfer restrictions also will require any person attempting to acquire a significant interest in us to seek the approval of our Board of Directors. This may have an "anti-takeover" effect because our Board of Directors may be able to prevent any future takeover. Similarly, any limits on the amount of capital stock that a stockholder may own could have the effect of making it more difficult for stockholders to replace current management. Additionally, because the transfer restrictions will have the effect of restricting a stockholder's ability to dispose of or acquire our common stock, the liquidity and market value of our common stock might suffer.

WE COULD BE REQUIRED TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, WHICH COULD SIGNIFICANTLY LIMIT OUR ABILITY TO OPERATE AND ACQUIRE AN ESTABLISHED BUSINESS.

The Investment Company Act of 1940 (the "Investment Company Act") requires registration, as an investment company, for companies that are engaged primarily in the business of investing, reinvesting, owning, holding or trading securities. We have sought to qualify for an exclusion from registration including the exclusion available to a company that does not own "investment securities" with a value exceeding 40% of the value of its total assets on an unconsolidated basis, excluding government securities and cash items. This exclusion, however, could be disadvantageous to us and/or our stockholders. If we were unable to rely on an exclusion under the Investment Company Act and were deemed to be an investment company under the Investment Company Act, we would be forced to comply with substantive requirements of Investment Company Act, including: (i) limitations on our ability to borrow; (ii) limitations on our capital structure; (iii) restrictions on acquisitions of interests in associated companies; (iv) prohibitions on transactions with affiliates; (v) restrictions on specific investments; (vi) limitations on our ability to issue stock options; and (vii) compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations. Registration as an investment company would subject us to restrictions that would significantly impair our ability to pursue our fundamental business strategy of acquiring and operating an established business. In the event the Securities and Exchange Commission or a court took the position that we were an investment company, our failure to register as an investment company would not only raise the possibility of an enforcement action by the Securities and Exchange Commission or an adverse judgment by a court, but also could threaten the validity of corporate actions and contracts entered into by us during the period we were deemed to be an unregistered investment company. Moreover, the Securities and Exchange Commission could seek an enforcement action against us to the extent we were not in compliance with the Investment Company Act during any point in time.

FOR FIVE YEARS AFTER THE CLOSING OF THE ASSET SALE TO EPICOR, WE WILL BE PROHIBITED FROM COMPETING WITH THE ASSETS SOLD TO EPICOR.

The Noncompetition Agreement we entered into with Epicor provides that for a period of five years after the closing of the Asset Sale (December 6, 2002), neither we nor any of our affiliated entities are permitted, directly or indirectly, anywhere in the world: (i) to engage in any business that competes with the business of developing, marketing and supporting Internet-based business-to-business, electronic commerce solutions that automate the procurement, sourcing and settlement of goods and services including through the eProcurement, Sourcing, View (for eProcurement), eTour (for eProcurement), ClarusNET, and Settlement software products and all improvements and variations of these products; (ii) to attempt to persuade any customer or vendor of Epicor to cease to do business with Epicor or reduce the amount of business being conducted with Epicor; (iii) to solicit the business of any customer or vendor of Epicor, if the solicitation could cause a reduction in the amount of business that Epicor does with the customer or vendor; or (iv) to hire, solicit for employment or encourage to leave the employment of Epicor any person who was an employee of Epicor within 90 days before the closing of the Asset Sale.

The prohibitions contained in our Noncompetition Agreement with Epicor will restrict the business opportunities available to us and therefore may have a material adverse effect on our ability to successfully redeploy our remaining assets.

RISKS RELATED TO OUR COMMON STOCK

OUR COMMON STOCK IS NO LONGER LISTED ON THE NASDAQ NATIONAL MARKET

On October 5, 2004, our common stock was delisted from the Nasdaq National Market. The delisting followed a determination by the Nasdaq Listing Qualifications Panel that the Company was a "public shell" and should be delisted due to policy concerns raised under Nasdaq Marketplace Rules 4300 and 4300(a)(3). Additional information concerning the delisting is set forth in the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2004. The Company's common stock is now quoted on the Pink Sheets Electronic Quotation Service under the symbol "CLRS.PK." As a result of the delisting, stockholders may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock, the liquidity of our stock may be reduced, making it difficult for a stockholder to buy or sell our stock at competitive market prices or at all, we may lose support from institutional investors and/or market makers that currently buy and sell our stock and the price of our common stock could decline.

WE ARE VULNERABLE TO VOLATILE MARKET CONDITIONS.

The market prices of our common stock have been highly volatile. The market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Please see the table contained in Item 5 of this Report which sets forth the range of high and low closing prices of our common stock for the calendar quarters indicated.

WE DO NOT EXPECT TO PAY DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE.

Although our stockholders may receive dividends if, as and when declared by our Board of Directors, we do not intend to pay dividends on our common stock in the foreseeable future. Therefore, you should not purchase our common stock if you need immediate or future income by way of dividends from your investment.

OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AUTHORIZES THE ISSUANCE OF SHARES OF PREFERRED STOCK.

Our Amended and Restated Certificate of Incorporation provides that our Board of Directors will be authorized to issue from time to time, without further stockholder approval, up to 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 series, 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 any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways, which may delay, defer

or prevent a change in control of Clarus without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.

WE MAY ISSUE A SUBSTANTIAL AMOUNT OF OUR COMMON STOCK IN THE FUTURE WHICH COULD CAUSE DILUTION TO NEW INVESTORS AND OTHERWISE ADVERSELY AFFECT OUR STOCK PRICE.

A key element of our growth strategy is to make acquisitions. As part of our acquisition strategy, we may issue additional shares of common stock as consideration for such acquisitions. These issuances could be significant. To the extent that we make acquisitions and issue our shares of common stock as consideration, your equity interest in us will be diluted. Any such issuance will also increase the number of outstanding shares of common stock that will be eligible for sale in the future. Persons receiving shares of our common stock in connection with these acquisitions may be more likely to sell off their common stock, which may influence the price of our common stock. In addition, the potential issuance of additional shares in connection with anticipated acquisitions could lessen demand for our common stock and result in a lower price than might otherwise be obtained. We may issue common stock in the future for other purposes as well, including in connection with financings, for compensation purposes, in connection with strategic transactions or for other purposes.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, and we have an internet website address at www.claruscorp.com. We make available free of charge on our internet website address our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act of 1934, a amended as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may also read and copy any document we file at the Securities and Exchange Commission's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-732-0330 for further information on the operation of such public reference room. You also can request copies of such documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 or obtain copies of such documents from the Securities and Exchange Commission's website at http://www.sec.gov.

ITEM 2. PROPERTIES

Our corporate headquarters is currently located in Stamford, Connecticut where we lease approximately 8,600 square feet for $18,275 per month, pursuant to a lease, which expires on March 30, 2019.

We also lease approximately 5,200 square feet near Toronto, Canada, at a cost of approximately $11,000 per month, which prior to October 2001, was used for the delivery of services as well as research and development. This lease expires in February 2006. This facility has been sub-leased for approximately $5,000 a month, pursuant to a sublease, which expires on January 30, 2006.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to nor are any of our properties subject to any pending legal, administrative or judicial proceedings other than routine litigation incidental to our business.

A complaint was filed on May 14, 2001 in the United States District Court for the Northern District of Georgia 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 complaint alleges that the Company and certain of its directors and officers 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 Company agreed to settle the class action in exchange for a payment of $4.5 million, which was covered by insurance. The Court approved the final settlement and dismissed the action on January 6, 2005.

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended December 31, 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock was listed on the Nasdaq National Market System on May 26, 1998, the effective date of our initial public offering, until October 5, 2004, when our common stock was delisted from the Nasdaq National Market following a determination by the Nasdaq Listing Qualifications Panel that the Company was a "public shell" and should be delisted due to policy concerns raised under Nasdaq Marketplace Rules 4300 and 4300(a)(3). Additional information concerning the delisting is set forth in the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2004. The Company's common stock is now quoted on the Pink Sheets Electronic Quotation Service under the symbol "CLRS.PK".

The following table sets forth, for the indicated periods, the high and low closing sales prices for our common stock as reported by the NASDAQ prior to October 5, 2004 and the range of high and low bids for our common stock as reported by the OTC Bulletin Board or the OTC Pink Sheets Electronic Quotation Service on and after October 5, 2004. The quotes listed below on and after October 5, 2004 reflect inter-dealer prices or transactions solely between market-makers, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
Year ended December 31, 2003		
First Quarter	$ 5.87	$4.92
Second Quarter	$ 6.40	$5.05
Third Quarter	$ 7.50	$5.95
Fourth Quarter	$ 7.76	$6.99
Year ended December 31, 2004		
First Quarter	$ 9.94	$7.34
Second Quarter	$12.33	$9.86
Third Quarter	$11.78	$8.28
Fourth Quarter	$ 9.30	$7.40
Calendar Year 2005		
First Quarter (through March 1, 2005)	$ 9.50	$8.50

STOCKHOLDERS

On March 1, 2005, the last reported sales price for our common stock was $8.50 per share. As of March 1, 2005, there were 147 holders of record of our common stock.

DIVIDENDS

We currently anticipate that we will retain all future earnings for use in our business and do not anticipate that we will pay any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our results of operations, capital requirements, general business conditions, contractual restrictions on payment of dividends, if any, legal and regulatory restrictions on the payment of dividends, and other factors our Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

Our selected financial information set forth below should be read in conjunction with our consolidated financial statements, including the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of this Report. The following statement of operations and balance sheet data have been derived from our audited consolidated financial statements and should be read in conjunction with those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of this Report.

<TABLE>
<CAPTION>

	Years ended December 31,				
	2004	2003	2002	2001	2000
Statement of Operations Data:	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
License fees	$ 1,106	$ --	$ 2,808	$ 7,807	$ 24,686
Service fees	--	130	6,226	9,866	10,327
Total Revenues	1,106	130	9,034	17,673	35,013
Cost of Revenues:					
License fees	--	--	26	211	154
Service fees	--	--	5,498	12,921	12,901
Total Cost of Revenues	--	--	5,524	13,132	13,055
Operating expenses:					
Research and development	--	--	7,263	16,220	31,114
Sales and marketing	--	--	7,938	34,034	43,231
General and administrative	3,395	4,986	12,574	9,633	10,995
Provision (credit) for doubtful accounts	--	18	(560)	5,537	5,824
Transaction expenses	1,636	--	--	--	--
Loss on impairment of goodwill and intangible assets	--	--	10,360	36,756	--
Loss/(Gain) on sale or disposal of assets	--	36	1,748	(20)	(1,347)
Depreciation and amortization	186	762	4,243	12,212	8,132
Total Operating Expenses	5,217	5,802	43,566	114,372	97,949
Operating Loss	(4,111)	(5,672)	(40,056)	(109,831)	(75,991)
Other income (expense)	19	169	27	96	(100)
Loss on impairment of marketable securities and investments	--	--	--	(16,461)	(4,128)
Interest income	1,203	1,238	2,441	6,570	10,902
Interest expense, including amortization of debt discount	--	(66)	(225)	(228)	(1,330)

Net Loss	$ (2,889)	$ (4,331)	$ (37,813)	$(119,854)	$ (70,647)
Loss Per Share					
Basic	$ (0.18)	$ (0.27)	$ (2.42)	$ (7.72)	$ (4.90)
Diluted	$ (0.18)	$ (0.27)	$ (2.42)	$ (7.72)	$ (4.90)
Weighted Average Common Shares Outstanding					
Basic	16,092	15,905	15,615	15,530	14,420
Diluted	16,092	15,905	15,615	15,530	14,420

<CAPTION>

Balance Sheet Data:	As of December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 48,377	$ 15,045	$ 42,225	$ 55,628	$ 118,303
Marketable securities	35,119	73,685	52,885	65,264	50,209
Total assets	86,437	89,445	97,764	145,274	266,904
Long-term debt, net of current portion	--	--	--	5,000	5,000
Total stockholders' equity	84,854	86,819	89,360	126,328	246,822

</TABLE>

ITEM 7. 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 this Report and described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of this Report. The Company cannot guarantee its future performance.

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 YEAR ENDED DECEMBER 31, 2004 PRIMARILY REFLECTS, AND FUTURE PERIODS PRIOR TO A REDEPLOYMENT OF OUR ASSETS ARE EXPECTED TO PRIMARILY REFLECT, GENERAL AND ADMINISTRATIVE EXPENSES AND TRANSACTION EXPENSES ASSOCIATED WITH THE CONTINUING ADMINISTRATION OF THE COMPANY AND ITS EFFORTS TO REDEPLOY ITS ASSETS.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The Company's discussion of financial condition and results of operations is based on the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 revenue recognition, allowance for doubtful accounts, impairment of long-lived assets, impairment of investments, and 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. Our accounting policies are more fully described in Note 1 of our consolidated financial statements.

- - The Company has recognized revenue in connection with its prior business from two primary sources, software licenses and services. Revenue from software licensing and services fees is recognized in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition", and SOP 98-9, "Software Revenue Recognition with Respect to Certain Transactions" and related interpretations. The Company recognized 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.

- - 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 maintains allowances for doubtful accounts based on expected losses resulting from the inability of the Company's customers to make required payments. The Company recorded a provision for doubtful accounts of $18,000 during the year ended December 31, 2003. The Company recorded a reversal of the provision for doubtful accounts of ($560,000) during the year ended December 31, 2002.

- - The Company had significant long-lived assets, primarily intangibles, as a result of acquisitions completed during 2000. During 2002, the Company evaluated the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". Prior to 2002, the Company periodically evaluated the carrying value of its long-lived assets, including intangibles, according to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company recorded impairment charges on goodwill of $6.8 million and $36.8 million in 2002 and 2001, respectively, and impairment charges on intangible assets of $3.5 million in 2002.

STOCK OPTION EXCHANGE PROGRAM

On April 9, 2001, the Company announced a voluntary stock option exchange program for its employees. Under the program, employees were given the opportunity to cancel outstanding stock options previously granted to them on or after November 1, 1999, in exchange for an equal number of new options to be granted at a future date. The exercise price of the new options was equal to the fair market value of the Company's common stock on the date of grant. During the first phase of the program 366,174 options with a weighted average exercise price of $30.55 per share were canceled and new options to purchase 263,920 shares with an exercise price of $3.49 per share were granted on November 9, 2001. During the second phase of the program 273,188 options with a weighted average exercise price of $43.87 per share were canceled and new options to purchase 198,052 shares with an exercise price of $4.10 per share were granted on February 11, 2002. Employees who participated in the first exchange were not eligible for the second exchange. The exchange program was designed to comply with Financial Accounting Standards Board ("FASB") Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" and did not result in any additional compensation charges or variable accounting with respect to the new grants. Members of the Company's Board of Directors and its executive officers were not eligible to participate in the exchange program.

SOURCES OF REVENUE

Prior to the December 6, 2002 sale of substantially all of the Company's revenue generating operations and assets, the Company's revenue consisted of license fees and services fees. License fees were generated from the licensing of the Company's suite of software 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 operating assets, the Company's revenue has consisted solely of the recognition of deferred service fees that are recognized ratably over the maintenance term. The remaining deferred revenue was fully recognized by September 2004. Prior to a redeployment of the Company's assets, the Company's principal income will consist of interest, dividend and other investment income from short-term investments, which is reported as interest income in the Company's statement of operations.

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.

COST OF REVENUES AND OPERATING EXPENSES

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

Cost of services fees includes personnel related expenses and third-party consulting fees incurred to provide implementation, training, maintenance, content aggregation, and upgrade services to customers and partners. These costs were recognized as they were incurred for time and material arrangements and are recognized using the percentage of completion method for fixed price arrangements.

Prior to December 6, 2002, research and development expenses consisted primarily of personnel related expenses and third-party consulting fees. The Company accounts for software development costs under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". The Company charged research and development costs related to new products or enhancements to expense as incurred until technological feasibility was established, after which the remaining costs were capitalized until the product or enhancement is available for general release to customers. The Company defines technological feasibility as the point in time at which a working model of the related product or enhancement exists. Historically, the costs incurred during the period between the achievement of technological feasibility and the point at which the product is available for general release to customers have not been material.

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

General and administrative expenses consist primarily of personnel related expenses for financial, administrative and management personnel, fees for professional services, board of director fees and the provision for doubtful accounts.

Transaction expenses consist primarily of professional fees and expenses related to due diligence, negotiation and documentation of acquisition, financing and related agreements.

RESTRUCTURING AND RELATED COSTS

During 2002 and 2001, the Company's management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $4.2 million were expensed in 2001 to align better the Company's cost structure with projected revenue. The charges were comprised of $3.0 million for employee separation and related costs for 181 employees and $1.2 million for facility closure and consolidation costs.

During the first quarter of 2002, the Company determined that amounts previously charged during 2001 of approximately $202,000 that related to employee separation and related charges were no longer required and this amount was credited to sales and marketing expense in the accompanying consolidated statement of operations during 2002. Restructuring and related charges of $8.6 million were expensed during 2002. The charges for 2002 were comprised of $4.6 million for employee separation and related costs for 183 employees and $4.0 million for facility closures and consolidation costs.

During 2003, the Company determined that actual restructuring and related charges were in excess of the amounts provided for in 2002 and recorded additional restructuring charges of $250,000. This amount was charged to general and administrative costs in the accompanying consolidated statement of operations during 2003. The charges for 2003 were comprised of $223,000 for employee separation costs and $27,000 for facility closure and consolidation costs.

During 2004, the Company recorded an additional restructuring charge of $33,000 for facility closure costs. The increase was the result of significant fluctuations in exchange rates and increased rent expense.

The facility closures and consolidation costs for 2001 and 2002 relate to the abandonment of the Company's leased facilities in Suwanee, Georgia; Limerick, Ireland; Maidenhead, England; and near Toronto, Canada. Total facilities closure and consolidation costs include remaining lease liabilities, construction costs 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 Company incurred a charge in the fourth quarter 2002 of $2.1 million for facility closure and consolidation costs as a result of the termination of its lease for the facility in Suwanee, Georgia.

The following is a reconciliation of the components of the accrual for restructuring and related costs, the amounts charged against the accrual during 2004, 2003 and 2002 and the balance of the accrual as of December 31, 2004 (in thousands):

<TABLE>
<CAPTION>

	Employee Separation Costs	Facility Closing Costs	Total Restructuring and Related Costs
<S>	<C>	<C>	<C>
Balance at December 31, 2001	$ 680	$ 1,209	$ 1,889
Accruals during 2002	4,645	3,905	8,550
Expenditures during 2002	4,196	4,977	9,173
Credits in 2002	202	--	202
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	--	33	33
Expenditures during 2004	125	65	190
Balance at December 31, 2004	$ --	$ 73	$ 73

</TABLE>

COMPARISON OF RESULTS OF OPERATIONS BETWEEN THE YEARS ENDED DECEMBER 31, 2004 AND 2003

On December 6, 2002, the Company completed the disposition of substantially all its operating assets, and the Company is now evaluating alternative ways to redeploy its assets into new businesses. The discussion below is therefore not meaningful to an understanding of future revenue, earnings, operations, business or prospects of the Company following such a redeployment of its assets.

REVENUES

Total revenues increased to $1.1 million in 2004 compared to $0.1 million in 2003. This increase is entirely due to deferred license fee revenue recognized in the third quarter of 2004. Following the sale of substantially all of the Company's remaining operating assets, the Company's revenue was from the recognition of deferred service fees that were recognized ratably over the maintenance term.

COST OF REVENUES

The Company did not have any cost of revenues in 2004 or 2003, since all revenue was the recognition of deferred revenue related to maintenance arrangements.

RESEARCH AND DEVELOPMENT

The Company did not have any research and development costs in 2004 or 2003.

SALES AND MARKETING

The Company did not have any sales and marketing costs in 2004 or 2003.

GENERAL AND ADMINISTRATIVE EXPENSE

During the year ended December 31, 2004, general and administrative expenses were reduced to $3.4 million compared to $5.0 million in 2003. This trend is consistent with management's stated strategy to reduce our expenditure rate to the extent practicable, to levels of our investment income until the completion of an acquisition or merger. General and administrative expenses include salaries and employee benefits, rent, insurance, legal, accounting and other professional fees as well as public company expenses such as transfer agent and listing fees and expenses.

TRANSACTION EXPENSES

In the third quarter of 2004, the Company recognized $1.5 million in transaction expenses arising out of negotiations relating to an acquisition that terminated in September 2004 without the consummation of the acquisition. The Company incurred an additional $0.1 million of transaction expenses during the fourth quarter of 2004. Transaction expenses represent the costs incurred during due diligence and negotiation of potential acquisitions, such as legal, accounting, appraisal and other professional fees and related expenses. Comparable transaction expenses incurred during the year ended December 31, 2003 were immaterial and were not broken out of general and administrative expenses.

LOSS/(GAIN) ON SALE OR DISPOSAL OF ASSETS

During the year ended December 31, 2004, the Company did not incur a loss or gain from the sale or disposal of assets compared to 2003 when the Company recorded a loss on the sale or disposal of assets of $36,000.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense in 2004 declined to $0.2 million compared to $0.8 million in 2003, a reduction of 75%. The decline is primarily attributable to the sale of substantially all of the Company's operating assets in the fourth quarter of 2002, resulting in lower depreciation and amortization on property and equipment coupled with the write off of intangibles assets with definite lives during 2002. As a result of this write off of assets during 2002, there was no amortization expense on intangible assets in 2004 and 2003.

INTEREST INCOME

Interest income remained stable at $1.2 million for the year ended December 31, 2004 compared to $1.2 million in 2003. The negligible change in interest income was due to lower levels of cash, cash equivalents and marketable securities available for investment in 2004, offset by an increase in interest rates during 2004, that resulted in slightly higher rates of return on investments.

INTEREST EXPENSE

Interest expense in 2004 was zero compared to an expense of $66,000 in 2003, a decline of 100%, due to the repayment of $5.0 million of indebtedness that resulted in the interest expense in 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 in 2004 or in 2003.

COMPARISON OF RESULTS OF OPERATIONS BETWEEN THE YEARS ENDED DECEMBER 31, 2003 AND 2002

On December 6, 2002, the Company completed the disposition of substantially all its operating assets, and the Company is now evaluating alternative ways to redeploy its assets into new businesses. The discussion below is therefore not meaningful to an understanding of future revenue, earnings, operations, business or prospects of the Company following such a redeployment of its assets.

REVENUES

Total revenues declined to $0.1 million in 2003 compared to $9.0 million in 2002. This decline is entirely due to the sale of substantially all of the Company's operating assets in December 2002.

COST OF REVENUES

The Company did not have any significant cost of revenues in 2003, since all 2003 revenue was the recognition of deferred revenue related to maintenance arrangements. This compares favorably with 5.5 million expensed in 2002.

RESEARCH AND DEVELOPMENT

The Company did not have any research and development costs in 2003. This compares favorably with over $7.3 million expensed in 2002.

SALES AND MARKETING

The Company did not have any sales and marketing costs in 2003. This compares favorably with over $7.9 million expensed in 2002.

GENERAL AND ADMINISTRATIVE EXPENSE

During the year ended December 31, 2003, general and administrative expenses were reduced to $5.0 million compared to $12.6 million in 2002. This trend is consistent with management's stated strategy to reduce our expenditure rate to the extent practicable, to levels of our investment income until the completion of an acquisition or merger. General and administrative expenses include salaries and employee benefits, rent, insurance, legal, accounting and other professional fees as well as public company expenses such as transfer agent and listing fees and expenses.

LOSS ON IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

As a result of a change in the Company's strategic direction during the second quarter of 2002, the Company determined that the carrying value of the remaining goodwill and intangible assets exceeded fair value. As a result, the Company recorded an additional impairment charge to goodwill of $6.9 million and an impairment charge to intangible assets of $3.5 million during the year ended

December 31, 2002, that reduced the cost basis of goodwill and intangible assets to zero. The total impairment was $10.4 million. There was no comparative impairment charge in 2003.

LOSS/(GAIN) ON SALE OR DISPOSAL OF ASSETS

During 2003, the Company recorded a loss on the sale or disposal of assets of $36,000.

In 2002, the Company sold its e-commerce software business to Epicor Software Corporation for approximately $1.0 million. The Company recorded a gain during the fourth quarter of 2002 on the sale of this business of approximately $514,000 that has been included in gain on sale or disposal of assets in the accompanying statement of operations for the year ended December 31, 2002. Also in 2002, the Company recorded a loss on the disposal of property and equipment of $2.3 million. The loss on the disposal of assets during the year ended December 31, 2002 is primarily attributable to the write down of assets located in the Suwanee, Limerick and Maidenhead offices.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense in 2003 declined to $0.8 million compared to $4.2 million in 2002 a reduction of 81%. The decline in the expense primarily is attributable to the sale of substantially all of the Company's operating assets in the fourth quarter of 2002, resulting in lower depreciation and amortization on property and equipment coupled with the write off of intangible assets with definite lives during 2002. As a result of this write off of assets during 2002, there was no amortization expense on intangible assets in 2003. The Company recorded $455,000 of amortization expense relating to intangible assets with definite lives in 2002.

INTEREST INCOME

Interest income decreased to $1.2 million or approximately 50% for the year ended December 31, 2003 compared to $2.4 million in 2002. The decrease in interest income was due to lower levels of cash, cash equivalents and marketable securities available for investment in 2003 coupled with lower interest rates during 2003 that resulted in lower rates of return on investments.

INTEREST EXPENSE

Interest expense in 2003 was $66,000 compared to an expense of $225,000 in 2002, a decline of 71%, due to the repayment of $5.0 million of indebtedness that resulted in the interest expense in 2002.

INCOME TAXES

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded in 2003 or in 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased to $48.4 million at December 31, 2004 from $15.0 million at December 31, 2003 due to a shift in the composition of the investment portfolio to investments with shorter duration

that are characterized as cash equivalents instead of marketable securities under the accounting principles generally accepted in the United States of America. The overall combined decrease of $5.2 million in cash and cash equivalents and marketable securities is primarily due to liquidation of investments required to fund operating activities, leasehold improvements and transaction related expenses.

Cash used in operating activities was approximately $2.1 million during 2004. The cash used was primarily attributable to the Company's net loss. Cash used in operating activities was approximately $2.9 million during 2003. The cash used was primarily attributable to the Company's net loss and to decreases in accounts payable and accrued liabilities, deferred revenue, accounts receivable and prepaid and other current assets. The trend in cash used in operating activities is consistent with management's stated strategy, following the sale of substantially all of the Company's operating assets in December 2002, to reduce our cash expenditure rate by targeting, to the extent practicable, our overhead expenses to the amount of our investment income until the completion of an acquisition or merger. While the Company's expenses have been significantly reduced, management currently believes that the Company's operating expense will exceed its investment income in 2005.

Cash provided by investing activities was approximately $35.0 million during 2004. The cash was provided by sale and maturity of marketable securities partially offset by the purchase of investments and marketable securities. Cash used by investing activities was approximately $21.0 million during 2003. The cash was used for purchases of investment and marketable securities, partially offset by the sale and maturity of marketable securities.

Cash provided by financing activities during 2004 was attributable to stock option exercises. Cash provided by financing activities was approximately $0.5 million during 2004 compared to cash used by financing of $3.3 million during 2003. The cash used by financing activities in 2003 was attributed to the repayment of the Company's outstanding indebtedness of $5.0 million, offset in part by proceeds from the exercise of stock options.

For the periods ended December 31, 2004 and 2003, the Company had no trade accounts receivables.

On December 6, 2002, the Company granted options to purchase 1,250,000 shares of common stock to three senior executives. 450,000 of these options were issued with an exercise price of $5.35 per share, 400,000 were issued with an exercise price of $7.50 per share and 400,000 were issued with an exercise price of $10.00 per share. The options issued at $5.35 per share were issued at less than the fair market value on that date of $5.45 and will result in compensation charges of $65,000 recognized over the vesting period. Twenty percent of the options vest annually over five years on the anniversary of the date of grant.

At December 31, 2004, the Company has net operating loss, capital loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of approximately $226.7 million, $15.2 million, $1.3 million and $53,000, respectively, which expire in varying amounts beginning in the year 2009. The Company's ability to benefit from certain net operating loss and tax credit carryforwards is limited under section 382 of the Internal Revenue Code due to a prior ownership change of greater than 50%. Accordingly, approximately $212.8 million of the $226.7 million of U.S. net operating loss carryforward is available currently to offset taxable income that the Company may recognize in the future.

CONTRACTUAL OBLIGATIONS

The following summarizes the Company's contractual obligations and commercial commitments at December 31, 2004 with initial or remaining terms of one or more years, and the effect such obligations are expected to have on our liquidity and cash flow in future periods: (in thousands)

<TABLE>
<CAPTION>

Contractual Obligations (in thousands)	Payment Due By Period				
	Total	1 Year	2-3 Years	4-5 Years	After 5 Years
<S>	<C>	<C>	<C>	<C>	<C>
Operating Leases	$3,731	$ 475	$ 815	$ 845	$1,596
Total	$3,731	$ 475	$ 815	$ 845	$1,596

</TABLE>

The Company does not have commercial commitments under capital leases, lines of credit, stand-by lines of credit, guaranties, stand-by repurchase obligations or other such arrangements, other than the stand-by letter of credit described below.

The Company does not engage in any transactions or have relationships or other arrangements with unconsolidated entities. These include special purpose and similar entities or other off-balance sheet arrangements. The Company also does not engage in energy, weather or other commodity-based contracts.

Our corporate headquarters is currently located in Stamford, Connecticut where we lease approximately 8,600 square feet for $18,275 a month, pursuant to a lease, which expires on March 31, 2019.

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 increase 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 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. The bank that issued the letter of credit holds an $850,000 deposit against the letter of credit. Kanders & Company reimburses the Company for a pro rata portion of the approximately $5,000 annual cost of the letter of credit.

We also lease approximately 5,200 square feet near Toronto, Canada, at a cost of approximately $11,000 per month, which was used for the delivery of services as well as research and development through October 2001. This lease expires in February 2006. This facility has been sub-leased for approximately $5,000 a month, pursuant to a sublease, which expires on January 30, 2006. The cost, net of the estimated sublease income, has been included in general and administrative expense in the accompanying statement of operations in 2002.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2003 and revised in December 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 and an amendment to FIN 46 entitled FASB Interpretation

No. 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46R"). FIN 46R requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support form other parties. FIN 46R will be applied by us to those entities that are considered variable interest entities as of March 31, 2004. We do not expect that the adoption of FIN 46R will have a material effect on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This statement requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. Compensation cost is to be measure based on the estimated fair value of the equity-based compensation awards issued as of the grant date. The related compensation expense will be based on the estimated number of awards expected to vest and will be recognized over the requisite service period (often the vesting period) for each grant. The statement requires the use of assumptions and judgments about future events and some on the inputs to the valuation models will require considerable judgment by management. SFAS No. 123R replaces FASB Statement No. 123 ("SFAS No. 123"), "Accounting for Share-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." The provisions of SFAS No. 123R are required to be applied by public companies as of the first interim or annual reporting period that begins after June 15, 2005 (as of July 1, 2005 for the Company). The Company intends to continue applying APB Opinion No. 25 to equity-based compensation awards until the effective date of SFAS No. 123R. At the effective date of SFAS No. 123R, the Company expects to use the modified prospective application transition method without restatement of prior interim periods in the year of adoption. This will result in the Company recognizing compensation cost based on the requirements of SFAS No. 123R for all equity-based compensation awards issued after July 1, 2005. For all equity-based compensation awards that are unvested as of July 1, 2005, compensation cost will be recognized for the unamortized portion of compensation cost not previously included in the SFAS No. 123 pro forma footnote disclosure. The Company is currently evaluating the impact that adoption of the SFAS No. 123R may have on its results of operations or financial position and expects that the adoption may have a material effect on the Company's results of operations depending on the level and form of future equity-based compensation awards issued.

QUARTERLY DATA

The following table sets forth selected quarterly data for the years ended December 31, 2004 and 2003 (in thousands, except per share data). The operating results are not indicative of results for any future period.

<TABLE>
<CAPTION>

	2004 First Quarter	2004 Second Quarter	2004 Third Quarter	2004 Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues	$ --	$ --	$ 1,106	$ --
Operating loss	(723)	(1,216)	(845)	(1,327)
Net loss	(471)	(963)	(532)	(923)
Net loss per share:				
Basic	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.06)
Diluted	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.06)

<CAPTION>

	2003 First Quarter	2003 Second Quarter	2003 Third Quarter	2003 Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues	$ 53	$ 25	$ 25	$ 27
Operating loss	(2,666)	(1,497)	(775)	(734)
Net loss	(2,412)	(1,042)	(672)	(205)
Net loss per share:				
Basic	$ (0.15)	$ (0.07)	$ (0.04)	$ (0.01)
Diluted	$ (0.15)	$ (0.07)	$ (0.04)	$ (0.01)

</TABLE>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold derivative financial investments, derivative commodity investments, engage in foreign currency hedging or other transactions that expose us to material market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CLARUS CORPORATION AND SUBSIDIARIES

Index to Financial Statements

<TABLE>
<CAPTION>

</TABLE>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Clarus Corporation:

We have audited the accompanying consolidated balance sheets of Clarus Corporation and subsidiaries ("Clarus") as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of Clarus' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clarus Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Clarus' internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2005, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP
- ---------------------
Stamford, Connecticut
March 14, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Clarus Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A, that Clarus Corporation and subsidiaries ("Clarus") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Clarus' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Clarus' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Clarus maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the COSO. Also, in our opinion, Clarus maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Clarus Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 14, 2005 expressed and unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
- --------------------
Stamford, Connecticut
March 14, 2005

CLARUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003
(In Thousands, Except Share and Per Share Amounts)

<TABLE>
<CAPTION>

ASSETS	2004	2003
CURRENT ASSETS:		
Cash and cash equivalents	$ 48,377	$ 15,045
Marketable securities	35,119	73,685
Interest receivable	350	507
Prepaids and other current assets	182	132
Total current assets	84,028	89,369
PROPERTY AND EQUIPMENT, NET	2,367	38
OTHER ASSETS:		
Deposits and other long-term assets	42	38
Total assets	$ 86,437	$ 89,445
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 1,468	$ 1,520
Deferred revenue	--	1,106
Total current liabilities	1,468	2,626
Deferred rent	115	--

Total liabilities	1,583	2,626

COMMITMENTS AND CONTINGENCIES (Note 12)

STOCKHOLDERS' EQUITY:		
Preferred stock, $.0001 par value; 5,000,000 shares authorized; none issued	--	--
Common stock, $.0001 par value; 100,000,000 shares authorized; 16,734,947 and 16,649,048 shares issued and 16,659,947 and 16,574,048 outstanding in 2004 and 2003, respectively	2	2
Additional paid-in capital	368,385	367,031
Accumulated deficit	(279,656)	(276,767)
Less treasury stock, 75,000 shares at cost	(2)	(2)
Accumulated other comprehensive income (loss)	(130)	(17)
Deferred compensation	(3,745)	(3,428)
Total stockholders' equity	84,854	86,819
Total liabilities and stockholders' equity	$ 86,437	$ 89,445

</TABLE>

See accompanying notes to consolidated financial statements.

CLARUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2004, 2003 and 2002
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

	2004	2003	2002
REVENUES:			
License fees	$ 1,106	$ --	$ 2,808
Services fees	--	130	6,226
Total revenues	1,106	130	9,034
COST OF REVENUES:			
License fees	--	--	26
Services fees	--	--	5,498
Total cost of revenues	--	--	5,524
OPERATING EXPENSES:			
Research and development	--	--	7,263
Sales and marketing	--	--	7,938
General and administrative	3,395	4,986	12,574
Provision/(credit) for doubtful accounts	--	18	(560)
Transaction expenses	1,636	--	--
Loss on impairment of goodwill and intangible assets	--	--	10,360
Loss on sale or disposal of assets	--	36	1,748
Depreciation and amortization	186	762	4,243
Total operating expenses	5,217	5,802	43,566
OPERATING LOSS	(4,111)	(5,672)	(40,056)
OTHER INCOME	19	169	27
INTEREST INCOME	1,203	1,238	2,441
INTEREST EXPENSE	--	(66)	(225)
NET LOSS	$ (2,889)	$ (4,331)	$(37,813)
NET LOSS PER SHARE			
Basic	$ (0.18)	$ (0.27)	$ (2.42)
Diluted	$ (0.18)	$ (0.27)	$ (2.42)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	16,092	15,905	15,615
Diluted	16,092	15,905	15,615

</TABLE>

See accompanying notes to consolidated financial statements

CLARUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND

COMPREHENSIVE LOSS
Years Ended December 31, 2004, 2003 and 2002
(In Thousands)

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (loss)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCES December 31,2001	15,639	$ 2	$ 360,670	$(234,623)	(75)	$ (2)	$ 281
Exercise of stock options	113	--	400	--	--	--	--
Issuance of shares under employee stock purchase plans	19	--	119	--	--	--	--
Retirement of shares related to the termination of marketing agreement	(8)	--	(39)	--	--	--	--
Modification to stock options	--	--	500	--	--	--	--
Issuance of stock options with exercise prices below fair market value	--	--	65	--	--	--	--
Net loss	--	--	--	(37,813)	--	--	--
Increase in foreign currency translation adjustment	--	--	--	--	--	--	10
Decrease in unrealized gain on marketable securities	--	--	--	--	--	--	(145)
BALANCES, December 31, 2002	15,763	2	361,715	(272,436)	(75)	(2)	146
Exercise of stock options	384	--	1,656	--	--	--	--
Issuance of restricted shares, net of amortization	500	--	3,650	--	--	--	--
Issuance of shares under employee stock purchase plan	2	--	10	--	--	--	--
Net loss	--	--	--	(4,331)	--	--	--
Decrease in foreign currency translation adjustment	--	--	--	--	--	--	(78)
Decrease in unrealized gain on marketable securities	--	--	--	--	--	--	(85)
BALANCES, December 31, 2003	16,649	2	367,031	(276,767)	(75)	(2)	(17)
Exercise of stock options	86	--	454	--	--	--	--
Issuance of restricted shares, net of amortization	--	--	900	--	--	--	--
Net loss	--	--	--	(2,889)	--	--	--
Decrease in unrealized gain on marketable securities	--	--	--	--	--	--	(113)
BALANCES, December 31, 2004	16,735	$ 2	$ 368,385	$(279,656)	(75)	$ (2)	$ (130)

</TABLE>

See accompanying notes to consolidated financial statements.

CLARUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND
COMPREHENSIVE LOSS (Cont.)
Years Ended December 31, 2004, 2003 and 2002
(In Thousands)

<TABLE>
<CAPTION>

	Deferred Compensation	Total Stockholders' Equity	Comprehensive Loss
<S>	<C>	<C>	<C>
BALANCES, December 31, 2001	$ --	$ 126,328	$--
Exercise of stock options	--	400	--
Issuance of shares under employee stock purchase plans	--	119	--
Retirement of shares related to the termination of marketing agreement	--	(39)	--
Modification to stock options	--	500	--
Issuance of stock options with exercise prices below fair market value	(65)	--	--
Net loss	--	(37,813)	(37,813)
Increase in foreign currency translation adjustment	--	10	10
Decrease in unrealized gain on marketable securities	--	(145)	(145)
Total comprehensive loss			(37,948)
BALANCES, December 31,2002	(65)	89,360	--

Exercise of stock options	--	1,656	--
Issuance of restricted shares, net of amortization	(3,363)	287	--
Issuance of shares under employee stock purchase plan	--	10	--
Net loss	--	(4,331)	(4,331)
Decrease in foreign currency translation adjustment	--	(78)	(78)
Decrease in unrealized gain on marketable securities	--	(85)	(85)
Total comprehensive loss			(4,494)
BALANCES, December 31, 2003	(3,428)	86,819	--
Exercise of stock options	--	454	--
Issuance of restricted shares, net of amortization	(317)	583	--
Net loss	--	(2,889)	(2,889)
Decrease in unrealized gain on marketable securities	--	(113)	(113)
Total comprehensive loss			$ (3,002)
BALANCES, December 31,2004	$ (3,745)	$ 84,854	

</TABLE>

See accompanying notes to consolidated financial statements.

CLARUS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004, 2003 and 2002
(In Thousands, Except Share Amounts)

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net loss	$ (2,889)	$ (4,331)	$ (37,813)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of property and equipment	186	762	3,788
Amortization of intangible assets	--	--	455
Loss on impairment of intangible assets	--	--	10,360
Amortization of premium and discount on securities, net	982	--	--
Gain on sale of marketable securities and other	(17)	--	(15)
Provision/(credit) for doubtful accounts	--	18	(560)
Noncash sales and marketing expense	--	--	450
Noncash charge due to modification of stock options	--	--	500
Amortization of deferred employee compensation plans	583	287	--
Gain on sale of e-commerce assets to Epicor	--	--	(514)
Loss on sale or disposal of property and equipment	--	36	2,262
Changes in operating assets and liabilities:			
Accounts receivable	--	449	2,618
Interest receivable, prepaids and other current assets	107	623	1,203
Assets held for sale	--	48	--
Deposits and other long-term assets	(4)	30	420
Accounts payable and accrued liabilities	(52)	(416)	(4,539)
Deferred revenue	(1,106)	(142)	(5,738)
Deferred rent	115	--	--
Liabilities to be assumed	--	(220)	--
Other long-term liabilities	--	--	(265)
Net cash used in operating activities	(2,095)	(2,856)	(27,388)
INVESTING ACTIVITIES:			
Purchase of marketable securities	(59,754)	(117,881)	(123,611)
Proceeds from the sale and maturity of marketable securities	97,242	96,918	135,860
Purchase of property and equipment	(2,515)	(38)	(182)
Proceeds from sale of investment	--	--	200
Proceeds from sale of operating assets	--	--	1,000
Proceeds from sale of property and equipment	--	11	189
Net cash (used in) provided by investing activities	34,973	(20,990)	13,456
FINANCING ACTIVITIES:			
Proceeds from the exercise of stock options	454	1,656	400
Proceeds from issuance of common stock related to employee stock purchase plans	--	10	119
Repayment of long-term debt	--	(5,000)	--
Net cash (used in) provided by financing activities	454	(3,334)	519
Effect of exchange rate change on cash	--	--	10
CHANGE IN CASH AND CASH EQUIVALENTS	33,332	(27,180)	(13,403)
CASH AND CASH EQUIVALENTS, beginning of year	15,045	42,225	55,628
CASH AND CASH EQUIVALENTS, end of year	$ 48,377	$ 15,045	$ 42,225

	=========	=========	=========
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Cash paid for interest	$ --	$ --	$ 225
	=========	=========	=========
NONCASH TRANSACTIONS:			
Retirement of 7,500 shares related to the termination of a sales and marketing agreement	$ --	$ --	$ 39
Grant of Restricted Stock	$ 50	$ 2,680	$ --

</TABLE>

See accompanying notes to consolidated financial statements.

CLARUS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Clarus Corporation, a Delaware corporation, and its subsidiaries, (the "Company") prior to the sale of substantially all of its operating assets in December 2002, developed, marketed, and supported Internet-based business-to-business electronic commerce solutions that automated the procurement and management of operating resources.

During 2002, the Company adopted a strategic plan to sell or abandon all active software operations and redeploy company capital to enhance stockholder value. On December 6, 2002, the Company sold substantially all of its software operations (comprised of the eProcurement, Sourcing and Settlement product lines) to Epicor Software Corporation for $1.0 million in cash. Separately, on January 1, 2003, the Company sold the assets related to the Cashbook product, which were excluded from the Epicor transaction, to an employee group headquartered in Limerick, Ireland. Therefore, as of December 31, 2002, the Company has discontinued or abandoned substantially all software operations.

All of the revenues, cost of revenues and a substantial amount of the operating expenses in the accompanying consolidated statements of operations, relate to the divested products discussed above as well as other discontinued products. The Company is not expected to recognize any significant amounts of revenue, costs of revenue or incur operating expenses related to the Company's software operations in the future.

Management now consists of four corporate executive officers and a support staff of three, all of whom are located in Stamford, Connecticut. Management is now engaged in analyzing and evaluating potential acquisition and merger candidates as part of its strategy to redeploy its cash and cash equivalent assets to enhance stockholder value.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated. The Company's subsidiaries include Clarus International, Inc., Clarus eMEA Ltd., Clarus CSA, Inc., Clarus CSA, Inc. (Ireland), SAI America Limited, SAI Recruitment Limited, i2Mobile.com Limited, SAI America LLC, Software Architects International, LLC, and REDEO Technologies, Inc.

USE OF ESTIMATES

The preparation of these financial statements requires 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. The Company regularly evaluates its estimates and assumptions including those related to revenue recognition, allowance for doubtful accounts, impairment of long-lived assets, impairment of investments, and 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.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company had approximately $48.4 million and $15.0 million in cash and cash equivalents included in the accompanying consolidated balance sheets for the years ended December 31, 2004 and 2003, respectively.

MARKETABLE SECURITIES

Marketable securities at December 31, 2004 consist of government notes and bonds. For the period ended December 31, 2003, marketable securities consisted of government notes and bonds, commercial paper, certificates of deposit and corporate debt. 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.

CREDIT AND CUSTOMER CONCENTRATIONS

As of December 31, 2004 and 2003, the Company had no trade accounts receivables.

During 2004 and 2003, no revenue was derived from international markets. During 2002, 45.2% of the Company's revenue was derived from international markets, and 29.9% was derived from one customer in the United Kingdom.

PROPERTY AND EQUIPMENT

Property and equipment consists of furniture and fixtures, computers and other office equipment, purchased software and leasehold improvements. These assets are depreciated on a straight-line basis over periods ranging from one to eight years. Leasehold improvements are amortized over the shorter of the useful life or the term of the lease. During 2002, the Company abandoned certain assets located at its principal facilities in Suwanee, Georgia, and its offices in Maidenhead, England and Limerick, Ireland. These fixed asset amounts and the related accumulated depreciation were written off, resulting in an impairment charge of $2.1 million that is included in the loss on sale or disposal of assets in the accompanying consolidated statement of operations for the year ended December 31, 2002.

Property and equipment are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	December 31, 2004	December 31, 2003	Useful Life (in years)
Computers and equipment	$ 190	$ 52	1 - 5
Furniture and fixtures	488	35	1 - 7
Leasehold improvements	1,944	34	8
	2,622	121	
Less: accumulated depreciation and amortization	(255)	(83)	
Property and equipment, net	$ 2,367	$ 38	

</TABLE>

Depreciation and amortization expense related to property and equipment totaled $186,000, $762,000, and $3.8 million for the years ended December 31, 2004, 2003 and 2002, respectively.

INVESTMENTS

Prior to 2002, the Company made several equity investments in privately held companies. The Company's equity ownership in these entities ranged from 2.5% to 12.5%. These investments were accounted for using the cost method of accounting. The Company did not recognize any material income from these companies during 2004, 2003 or 2002. The Company continues to retain ownership interest in several of the companies although they have been written down to a zero cost basis in the Company's consolidated balance sheet at December 31, 2004 and 2003, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

The Company adopted SFAS 142 effective January 1, 2002. Upon adoption, the Company tested goodwill for impairment at January 1, 2002 according to the provisions of SFAS 142, which resulted in no impairment required as a cumulative effect of accounting change. As a result of a change in the Company's strategic direction during the second quarter of 2002, the Company tested goodwill and intangible assets with definite lives for impairment according to the provisions of SFAS 142 and SFAS 144, respectively, which resulted in an impairment of $6.8 million of goodwill and $3.5 million of intangible assets with definite lives. No balances for goodwill or intangible assets remained as of December 31, 2004 and 2003, respectively.

Prior to their impairment, intangible assets were being amortized on a straight-line basis over periods ranging from three to ten years. Amortization expense related to these intangible assets amounted to $0, $0 and $0.5 million in 2004, 2003 and 2002, respectively.

LONG-LIVED ASSETS

On January 1, 2002 the Company adopted the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 provides a single accounting model for the impairment or disposal of long-lived assets. SFAS 144 also changes the criteria for classifying an asset as held for sale; and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. The adoption of SFAS 144 did not have a significant impact on the Company's consolidated financial statements.

In accordance with SFAS 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following as of December 31, 2004 and 2003 (in thousands):

	2003	2004
Accounts payable	$ 218	$ 432
Accrued compensation, benefits and commissions ...	172	187
Restructuring accruals	73	230
Accrued professional services	595	336
Accrued franchise taxes	365	180
Other	45	155
	$1,468	$1,520

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses financial instruments in the normal course of its business. The carrying values of cash and cash equivalents, accounts payable and long-term debt approximates fair value. Marketable securities are carried at market value. The fair value of the Company's investments in privately held companies is not readily available. The Company believes the fair values of these investments approximated their respective carrying values at December 31, 2004 and 2003.

REVENUE

The Company historically recognized revenue from two primary sources, software licenses and services. Revenue from software licensing and services fees is recognized in accordance with Statement of Position ("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.

SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements. The fair value of an element must be based on evidence that is specific to the vendor. License fee revenue allocated to software products generally is recognized upon delivery of the products or deferred and recognized in future periods to the extent that an arrangement includes one or more elements to be delivered at a future date and for which fair values have not been established. Revenue allocated to maintenance is recognized ratably over the maintenance term, which is typically 12 months and revenue allocated to training and other service elements is recognized as the services are performed.

Under SOP No. 98-9, if evidence of fair value does not exist for all elements of a license agreement and post-contract customer support is the only undelivered element, then all revenue for the license arrangement is recognized ratably over the term of the agreement as license revenue. If evidence of fair value of all undelivered elements exists but evidence does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. The Company uses the residual method since it does not have fair value of license fees. Revenue from hosted software agreements are recognized ratably over the term of the hosting arrangements. Revenue from sales to resellers is recognized on a sell-through basis.

In November 2001, the Emerging Issues Task Force ("EITF") issued EITF 01-14, "Income Statement Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred", stating that reimbursements received for out-of-pocket expenses should be characterized as revenue. The Company adopted this consensus effective January 1, 2002. Historically the Company has not reflected such reimbursements as revenue in its consolidated statements of operations. Upon adoption of this consensus, comparative financial statements for prior periods were reclassified to provide consistent presentation. The adoption of this consensus did not have any impact on the Company's financial position or results of operations, however, the Company's services fees revenue and cost of services fees revenue increased by an equal amount as a result of the gross-up of revenues and expenses for reimbursable expenses. For the fiscal year ended December 31, 2002 the Company recorded services fees revenue and cost of services fees revenue from out-of-pocket expenses of approximately $206,000.

STOCK-BASED COMPENSATION PLAN

The Company has an employee stock option plan, which is described more fully in Note 10. 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 based-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 148 and SFAS 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 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.

The following table shows what the effect on net loss and earnings 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 (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Net loss, as reported	$ (2,889)	$ (4,331)	$ (37,813)
Add stock-based employee compensation expense included in reported net loss, ...	584	287	500
Deduct total stock-based employee compensation expense determined under fair-value based method for all awards	(2,613)	(5,049)	(1,913)
Pro forma net loss	$ (4,918)	$ (9,093)	$ (39,226)
Earnings per Share:			
Basic - as reported	$ (0.18)	$ (0.27)	$ (2.42)
Basic - pro forma	$ (0.31)	$ (0.57)	$ (2.51)
Diluted - as reported	$ (0.18)	$ (0.27)	$ (2.42)
Diluted - pro forma	$ (0.31)	$ (0.57)	$ (2.51)

</TABLE>

Refer to Note 10 to the consolidated financial statements for assumptions used in the Black-Scholes option pricing model.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET LOSS PER SHARE

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. The diluted net loss per share for the years ended December 31, 2004, 2003 and 2002 excludes incremental shares calculated using the treasury stock method, assumed from the conversion of stock options due to the net loss for the years ended December 31, 2004, 2003 and 2002. The potential effects of excluded incremental shares are as follows (in thousands):

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Effect of shares issuable under stock option plan	616	202	107
Effect of shares issuable under Restricted stock awards	504	28	--
Total effect of potential incremental shares	1,120	230	107

</TABLE>

At December 31, 2004, 1,561,617 options were excluded in the computation of diluted earnings per share due to the net loss for the year ended December 31, 2004 and 400,000 options were excluded in the computation of diluted earnings per share because the options' exercise prices were greater than the average market share price of the common shares.

At December 31, 2003, 1,283,867 options were excluded in the computation of diluted earnings per share due to the net loss for the year ended December 31, 2003 and 815,000 options were excluded in the computation of diluted earnings per share because the options' exercise prices were greater than the average market share price of the common shares.

At December 31, 2002, 326,034 options were excluded in the computation of diluted earnings per share due to the net loss for the year ended December 31, 2002 and 2,528,872 options were excluded in the computation of diluted earnings per share because the options' exercise prices were greater than the average market share price of the common shares.

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 in a full set of financial statements. Comprehensive income (loss) primarily consists of net income (loss), foreign currency translation adjustments, and unrealized gains and losses from available-for-sale marketable securities and is presented in the consolidated statements of stockholders' equity as comprehensive income (loss).

SEGMENT AND GEOGRAPHIC INFORMATION

In accordance with the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", the Company has determined that during 2004, 2003, and 2002 the Company operated in one principal business segment, e-commerce software solutions, across domestic and international markets.

Geographic revenue and the carrying value of property and equipment as of and for the years ended December 31, 2004, 2003 and 2002 were as follows:

(in thousands)	2004	2003	2002
Revenue:			
United States	$ --	$ 130	$4,954
England	--	--	2,702
Italy	--	--	319
Other international	1,106	--	1,059
Total	$1,106	$ 130	$9,034
Property and equipment:			
United States	$2,367	$ 38	$ 809
International	--	--	--
Total	$2,367	$ 38	$ 809

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This statement required that the compensation cost relating to share-based payment transactions be recognized in the financial statements. Compensation cost is to be measure based on the estimated fair value of the equity-based compensation awards issued as of the grant date. The related compensation expense will be based on the estimated number of awards expected to

vest and will be recognized over the requisite service period (often the vesting period) for each grant. The statement requires the use of assumptions and judgments about future events and some on the inputs to the valuation models will require considerable judgment by management. SFAS No. 123R replaces FASB Statement No. 123 ("SFAS No. 123"), "Accounting for Share-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees."

The provisions of SFAS No. 123R are required to be applied by public companies as of the first interim or annual reporting period that begins after June 15, 2005 (as of July 1, 2005 for the Company). The Company intends to continue applying APB Opinion No. 25 to equity-based compensation awards until the effective date of SFAS No. 123R. At the effective date of SFAS No. 123R, the Company expects to use the modified prospective application transition method without restatement of prior interim periods in the year of adoption. This will result in the company recognizing compensation cost based on the requirements of SFAS No. 123R for all equity-based compensation awards issued after July 1, 2005. For all equity-based compensation awards that are unvested as of July 1, 2005, compensation cost will be recognized for the unamortized portion of compensation cost not previously included in the SFAS No. 123 pro forma footnote disclosure. The Company is currently evaluating the impact that adoption of the SFAS No. 123R may have on its results of operations or financial position and expects that the adoption may have a material effect on the Company's results of operations depending on the level and form of future equity-based compensation awards issued.

RECLASSIFICATIONS

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

2. MARKETABLE SECURITIES

As of December 31, 2004, and 2003, those investments with an original maturity of three months or less are classified as cash equivalents and those investments with original maturities beyond three months are classified as marketable securities. Pursuant to the provisions of SFAS No. 115, the Company has classified all of its marketable securities as available-for-sale.

At December 31, 2004, marketable securities consisted of government notes and bonds with a fair market value of $35.1 million. The amortized cost of marketable securities at December 31, 2004 was $35.2 million with an unrealized loss of $130,000.

The maturities of all securities are less than 18 months at December 31, 2004. $26.9 million mature in less than 12 months and $8.2 million mature between 12 and 18 months. The Company had no sales of marketable securities for the year ended December 31, 2003.

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of these available-for-sale marketable securities by major security type and class of security at December 31, 2003 were as follows (in thousands):

<TABLE>
<CAPTION>

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Commercial paper	$ 2,195	$ --	$ --	$ 2,195
Corporate notes and bonds	10,123	4	(28)	10,099
Government notes and bonds ...	61,384	8	(1)	61,391
Total	$ 73,702	$ 12	$ (29)	$ 73,685

</TABLE>

The Company had $15,000 of realized gains and had no realized losses from sales of marketable securities included in the accompanying consolidated statements of operations for the year ended December 31, 2002. The Company received approximately $15.0 million in proceeds from these sales.

3. ACQUISITIONS AND DISPOSITIONS

SALE OF OPERATING ASSETS

On December 6, 2002, the Company sold its e-commerce software business to Epicor Software Corporation for $1.0 million. Approximately $200,000 of the purchase price was placed in escrow and is included in cash and cash equivalents in the accompanying consolidated balance sheet at December 31, 2003. The escrowed funds were released in February 2004. The Company recorded a gain in 2002 on the sale of the business of approximately $514,000. On January 1, 2003, the Company sold its Cashbook product to an employee group in Limerick, Ireland recognizing a gain of approximately $157,000 during the first quarter of 2003.

4. 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. Rent expense is recognized on a straight line basis. 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 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.

During the year ended December 31, 2004, the Company expensed approximately $31,000, for payments to Kanders Aviation LLC, an affiliate of the Company's Executive Chairman, Warren B. Kanders, relating to aircraft travel by directors and officers of the Company for potential redeployment transactions. As of December 31, 2004, the Company had outstanding a net receivable of less than $150 from Kanders & Company resulting from an outstanding payable by the Company to Kanders Aviation LLC of $23,921 and an outstanding payable by Kanders & Company to the Company of $24,054. The amount due to Kanders Aviation LLC is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet and the amount due from Kanders & Company is included in prepaids and other current assets in the accompanying consolidated balance sheet. The outstanding amounts were paid in February 2005.

The Company provides certain telecommunication, administrative and other office services as well as accounting and bookkeeping services to Kanders & Company that are reimbursed by Kanders & Company. Such services aggregated $43,000 during the year ended December 31, 2004.

After the closing of the sale of the e-commerce software business in December 2002, Steven Jeffery, resigned as the Company's Chief Executive Officer and Chairman of the Board of Directors. Under Mr. Jeffery's employment agreement, he was entitled to receive a severance payment equal to one year's salary of $250,000, payable over one year. In addition, Mr. Jeffery entered into a three-year consulting agreement with the Company and received total consideration of $250,000 payable over two years. At December 31, 2004, no balance remained outstanding to Mr. Jeffery under these severance arrangements.

In the opinion of management, the rates, terms and considerations of the transactions with the related parties described above are at least as favorable as those we could have obtained in arms length negotiations or otherwise are at prevailing market prices and terms.

5. RESTRUCTURING AND RELATED COSTS

During 2002 and 2001, the Company's management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $4.2 million were expensed in 2001 to align better the Company's cost structure with projected revenue. The charges were comprised of $3.0 million for employee separation and related costs for 181 employees and $1.2 million for facility closure and consolidation costs.

During the first quarter of 2002, the Company determined that amounts previously charged during 2001 of approximately $202,000 that related to employee separation and related charges were no longer required and this amount was credited to sales and marketing expense in the accompanying consolidated statement of operations during 2002.

Additional restructuring and related charges of $8.6 million were expensed during 2002. The charges for 2002 were comprised of $4.6 million for employee separation and related costs for 183 employees and $4.0 million for facility closures and consolidation costs.

During 2003, the Company determined that actual restructuring and related charges were in excess of amounts provided for in 2002 and recorded additional restructuring charges of $250,000. This amount was expensed to general and administrative costs in the accompanying consolidated statement of operations during 2003. The charges for 2003 were comprised of $223,000 for employee separation costs and $27,000 for facility closure and consolidation costs.

The facility closures and consolidation costs for 2001 and 2002 relate to the abandonment of the Company's leased facilities in Suwanee, Georgia; Limerick, Ireland; Maidenhead, England; and near Toronto, Canada. Total facility closures and consolidation costs include remaining lease liabilities, construction costs and brokerage fees to sublet the abandoned space offset by 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 Company incurred a charge in the fourth quarter 2002 of $2.1 million for facility closures and consolidation costs as a result of the termination of its lease for its principal facility in Suwanee, Georgia.

The following is a reconciliation of the components of the accrual for restructuring and related costs, the amounts charged against the accrual during 2004, 2003 and 2002 and the balance of the accrual as of December 31, 2004 (in thousands):

<TABLE>

<CAPTION>

<S>	Employee Separation Costs <C>	Facility Closing Costs <C>	Total Restructuring and Related Costs <C>
Balance at December 31, 2001	$ 680	$ 1,209	$ 1,889
Accruals during 2002	4,645	3,905	8,550
Expenditures during 2002	4,196	4,977	9,173
Credits in 2002	202	--	202
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	--	33	33
Expenditures during 2004	125	65	190
Balance at December 31, 2004	$ --	$ 73	$ 73

</TABLE>

For the years ended December 31, 2004, 2003 and 2002, the restructuring and related costs were classified in the Company's consolidated statements of operations as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Cost of revenues - services fees	$ --	$ --	$ 858
Research and development	--	--	1,291
Sales and marketing	--	--	1,242
General and administrative	33	250	5,159
Total	$ 33	$ 250	$8,550

6. INCOME TAXES

For financial reporting purposes, losses from continuing operations before income taxes includes the following components (in thousands):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Pre-Tax Loss:			
United States	$ (2,889)	$ (4,331)	$(25,770)
Foreign	--	--	(12,043)
	$ (2,889)	$ (4,331)	$(37,813)

The Company files a consolidated income tax return with its wholly owned subsidiaries. The components of the income tax expense (benefit) for each of the years in the three-year period ended December 31, 2004 are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 2004 <C>	2003 <C>	2002 <C>
Current:			
Federal	$ --	$ --	$ --
State	--	--	--
Foreign	--	--	--
	--	--	--
Deferred:			
Federal	(30,455)	(3,492)	579
State	(7,251)	(513)	164
Foreign	441	5,962	(2,026)
	(37,265)	1,957	(1,283)

Increase/(Decrease) in valuation allowance for deferred income taxes	37,265	(1,957)	1,283
	$ --	$ --	$ --

</TABLE>

The following is a summary of the items that caused recorded income taxes to differ from income taxes computed using the statutory federal income tax rate of 34% for the years ended December 31, 2004, 2003 and 2002:

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 2004 <C>	2003 <C>	2002 <C>
Computed "expected" income tax expense (benefit)	(34.0)%	(34.0)%	(34.0)%
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal income taxes	(5.0)	(7.7)	0.3
Benefit of prior year NOL adjustments	(1,265.9)	(54.2)	--
Nondeductible goodwill	--	--	9.6
Income tax effect attributable to foreign operations	15.3	135.6	2.6
Nondeductible expired/cancelled warrants and options	--	3.3	16.8
Increase in valuation allowance and other items	1,289.6	(43.0)	4.7
Income tax expense (benefit)	--	--	--

</TABLE>

Deferred income tax assets and liabilities are determined based on the difference between the financial reporting carrying amounts and tax bases of existing assets and liabilities and operating loss and tax credit carryforwards. Significant components of the Company's existing deferred income tax assets and liabilities as of December 31, 2004 and 2003 are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 2004 <C>	2003 <C>
Deferred income tax assets:		
Net operating loss, capital loss and research & experimentation credit carryforwards	$ 94,943	$ 57,454
Depreciation and amortization	(446)	3
Non-cash compensation	339	112
Accrued liabilities	42	44
Reserves for investments	1,728	1,728
Net deferred income tax assets before valuation allowance	96,606	59,341
Valuation allowance for deferred income tax assets	(96,606)	(59,341)
Net deferred income tax assets	$ --	$ --

</TABLE>

Net operating loss carryforwards at December 31, 2004 increased significantly due to the write off for tax purposes of significant investments in foreign subsidiaries in Ireland and the United Kingdom, whose losses had previously been reflected in our financial statements for prior periods.

The net change in the valuation allowance for deferred income tax assets for 2004 was an increase of $37.3 million as compared to a decrease of $2.0 million in 2003 and an increase in 2002 of $1.3 million. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has provided a valuation allowance against deferred income tax assets at December 31, 2004, because the ultimate realization of those benefits and assets does not meet the more likely than not criteria.

At December 31, 2004, the Company has net operating loss, capital loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of approximately $226.7 million, $15.2 million, $1.3 million and $53,000, respectively, which expire in varying amounts beginning in the year 2009.

The Company's ability to benefit from certain net operating loss and tax credit carryforwards is limited under section 382 of the Internal Revenue Code due to a prior ownership change of greater than 50%. Accordingly, approximately $212.8

million of the $226.7 million of U.S. net operating loss carryforward is available currently to offset taxable income that the Company may recognize in the future.

7. DEBT

As of December 31, 2004 and 2003, the Company has no debt outstanding.

8. ROYALTY AGREEMENTS

The Company was previously a party to royalty and other original equipment manufacturer agreements for certain of its applications. The Company incurred a total of approximately $0, $0 and $24,000, in royalty expense for the years ended December 31, 2004, 2003, and 2002, respectively, pursuant to these agreements. The royalty fees paid are included in cost of revenues-license fees in the accompanying consolidated statements of operations. Epicor Corporation assumed all outstanding royalty agreements in connection with the sale of the Company's e-commerce software business on December 6, 2002.

9. EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) Plan (the "Plan"), a defined contribution plan covering substantially all employees of the Company. Under the Plan's deferred compensation arrangement, eligible employees who elect to participate in the Plan may contribute between 2% and 20% of eligible compensation, as defined, to the Plan. The Company, at its discretion, may elect to provide for either a matching contribution or discretionary profit-sharing contribution or both. The Company made matching contributions of approximately $6,000, $2,000 and $55,000 in 2004, 2003 and 2002, respectively.

On June 13, 2000, the Company adopted the Clarus Corporation Employee Stock Purchase Plan (the "U.S. Plan") and the Global Employee Stock Purchase Plan (the "Global Plan") (collectively, the "Plans"), which offers employees the right to purchase shares of the Company's common stock at 85% of the market price, as defined. Under the Plans, full-time employees, except persons owning 5% or more of the Company's common stock, are eligible to participate after 90 days of employment. Employees may contribute up to 15% of their annual salary toward the Purchase Plan. A maximum of 1,000,000 shares of common stock may be purchased under the Plans. Common stock is purchased directly from the Company on behalf of the participants. During the years ended December 31, 2004, 2003 and 2002, zero, 2,349 and 18,548 shares were purchased for the benefit of the participants under the Plans, respectively. As of December 31, 2004, there were no participants in either the U.S. or Global Plans.

10. STOCK INCENTIVE PLANS

The Company had a stock option plan for employees, consultants, and other individual contributors to the Company, which enabled the Company to grant up to approximately 1.6 million qualified and nonqualified incentive stock options (the "1992 Plan"). The plan terminated in November 2002, but 107,867 stock options awarded under the plan are vested and eligible to be exercised at December 31, 2004.

The Company adopted the 1998 Stock Incentive Plan (the "1998 Plan") in 1998. Under the 1998 Plan, the Board of Directors has the flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees of the Company or its subsidiaries or consultants to the Company. The 1998 Plan provides for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and restricted units. During 2000, the Board of Directors and stockholders adopted an amendment, which increased the number of shares authorized and reserved for

issuance from 1.5 million shares to 3.0 million shares. The aggregate number of shares of common stock that may be granted through awards under the 1998 Plan to any employee in any calendar year may not exceed 200,000 shares. The 1998 Plan will continue in effect until February 2008 unless terminated sooner.

Upon the acquisition of the SAI/Redeo Companies on May 31, 2000, the Company assumed the Stock Incentive Plan of Software Architects International, Limited (the "SAI Plan"), and the options outstanding. The SAI Plan enabled the Company to grant up to 750,000 nonqualified stock options. The Company could grant options to eligible participants who had to be employees of the Company or its subsidiaries or consultants, but not directors or officers of the Company.

On April 9, 2001, the Company announced a voluntary stock option exchange program for its employees. Under the program, employees were given the opportunity to cancel outstanding stock options previously granted to them on or after November 1, 1999 in exchange for an equal number of new options to be granted at a future date. The exercise price of the new options was equal to the fair market value of the Company's common stock on the date of grant. During the first phase of the program, 366,174 options with a weighted average exercise price of $30.55 per share were canceled and new options to purchase 263,920 shares with an exercise price of $3.49 per share were issued on November 9, 2001. During the second phase of the program, 273,188 options with a weighted average exercise price of $43.87 per share were canceled and new options to purchase 198,052 shares with an exercise price of $4.10 per share were issued on February 11, 2002. Employees who participated in the first exchange were not eligible for the second exchange. The exchange program was designed to comply with Financial Accounting Standards Board ("FASB") Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" and did not result in any additional compensation charges or variable accounting. Members of the Company's Board of Directors and its executive officers were not eligible to participate in the exchange program.

In December 2002, the Company granted options to purchase a total of 1,250,000 shares of common stock to three senior executives. 450,000 of these options were issued with an exercise price of $5.35 per share, 400,000 were issued with an exercise price of $7.50 per share and 400,000 were issued with an exercise price of $10.00 per share. A portion of the options issued at $5.35 per share were issued at less than the fair market value on the date of grant. The Company recorded deferred compensation of $65,000 to be recognized over the vesting period of five years.

In December 2002, the Company made an election to accelerate vesting of substantially all of the Company's outstanding stock options in connection with the acquisition by Epicor Software Corporation of the e-commerce assets of the Company. This resulted in a non-cash stock compensation charge of approximately $500,000 during 2002.

In April 2003, the Company granted 500,000 shares of restricted stock to Warren B. Kanders, the Executive Chairman of the Board. The shares vest in ten years or earlier upon satisfaction of various conditions including performance based conditions relating to the price of the Company's common stock. Deferred compensation of $2.7 million was recorded at the date of grant representing the fair value of the shares and adjusted as of December 31, 2004 to $3.6 million to account for the increase in fair market value from grant date through December 31, 2004. During the years ended December 31, 2004 and 2003, $513,750 and $274,000, respectively, were amortized to compensation expense for this award. At December 31, 2004, these shares were excluded from the computation of diluted earnings per share due to the net loss for the year ended December 31, 2004.

The Company recorded total non-cash stock compensation expense of approximately $0.6 million, $0.3 million and $0.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Total options available for grant under all plans as of December 31, 2004 were 842,116.

A summary of changes in outstanding options during the three years ended December 31, 2004 is as follows:

<TABLE>
<CAPTION>

	Shares	Range of Exercise Prices	Weighted Average Exercise Price
<S> <C> <C>	<C>	<C>	<C>
December 31, 2001..	3,241,126	$1.00-$128.13	$12.06
Granted...	2,238,882	$3.76-$ 10.00	$ 6.40
Canceled..	(2,512,447)	$1.00-$128.13	$12.13
Exercised...	(112,655)	$1.00-$ 5.17	$ 3.51
December 31, 2002..	2,854,906	$1.00-$ 82.56	$ 7.76
Granted...	5,000	$7.30-$ 7.30	$ 7.30
Canceled..	(377,047)	$3.49-$ 82.56	$16.69
Exercised...	(383,992)	$1.00-$ 6.13	$ 4.31
December 31, 2003..	2,098,867	$3.67-$ 10.00	$6.77
Granted...	40,000	$8.60- $ 9.00	$ 8.65
Canceled..	(80,000)	$5.35- $ 8.60	$ 5.76
Exercised...	(85,899)	$3.67- $ 7.63	$ 5.29
Prior Period Adjustments..............................	(11,351)	$3.49- $68.38	$ 9.95
December 31, 2004..	1,961,617	$4.83- $ 10.00	$ 6.93
Vested and exercisable at December 31, 2004................	1,117,754		$ 6.55
Vested and exercisable at December 31, 2003................	864,392		$ 6.22
Vested and exercisable at December 31, 2002................	1,158,508		$ 8.56

</TABLE>

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:

	2004	2003	2002
Dividend yield..........................	0%	0%	0%
Expected volatility.....................	57%	62%	76%
Risk-free interest rate.................	2.55%	2.86%	2.63%-4.43%

Expected life............................ Four years Four years Four years

Using these assumptions, the fair value of the stock options granted during the years ended December 31, 2004, 2003, and 2002, were approximately $40,000, $18,000 and $6.4 million, respectively, which would be amortized over the vesting period of the options. The weighted-average grant-date fair values of the stock options granted during the years ended December 31, 2004, 2003 and 2002, were $4.22, $3.50 and $2.86, respectively.

The following table summarizes the exercise price range, weighted average exercise price, and remaining contractual lives by significant ranges for options outstanding and exercisable as of December 31, 2004:

<TABLE>
<CAPTION>

	Outstanding			Exercisable	
Exercise Price Range	Number of Shares Outstanding at December 31, 2004	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Shares Exercisable at December 31, 2004	Weighted Average Exercise Price
<C>	<C>	<C>	<C>	<C>	<C>
$ 4.83 - $ 9.00	1,561,617	$ 6.14	6.2	957,754	$ 5.97
$10.00 - $10.00	400,000	$10.00	8.0	160,000	$10.00
	1,961,617	$6.93	6.6	1,117,754	$ 6.55

</TABLE>

11. STOCKHOLDERS' EQUITY

COMMON STOCK

The sales and marketing agreement signed with one strategic partner also required cash payments of $300,000 in each of the last two years of the related agreement. The Company recorded the fair value of the common stock and the expected cash payments as deferred sales and marketing costs during 2000. During 2001, the Company terminated the sales and marketing agreement with this strategic partner resulting in a write-off of the remaining deferred sales and marketing costs of $1.4 million. Also, as a result of the termination, the Company is no longer required to make cash payments of $300,000 for the last two years of the agreement.

The Company recorded non-cash sales and marketing expense, including the write-off discussed above, of approximately $0, $0, and $0.4 million during 2004, 2003 and 2002, respectively, related to these agreements.

WARRANTS

During 1999, the Company issued warrants to purchase 225,000 shares of the Company's common stock at exercise prices ranging from $10.00 to $53.75 per share, which expired in December 2002. These warrants were issued to certain strategic partners, who were also customers, in exchange for the agreement to be party to a sales and marketing agreement between the Company and the strategic partner to provide various sales and marketing efforts on behalf of the Company. The total fair market value of the warrants was approximately $11.9 million, which was recorded as additional paid-in capital and deferred sales and marketing costs at the date of issuance. The Company recorded non-cash sales and marketing expense of approximately $4.3 million related to these agreements during the year ended December 31, 2001. These warrants were fully amortized as of December 31, 2001 and expired in December 2002. The Company did not recognize any revenue from these customers during 2004, 2003 or 2002.

The Company previously granted 25,000 warrants to a strategic partner in return for completion of predetermined sales and marketing milestones. The exercise price of these warrants was $53.75 per share and the warrants expired on October 31, 2003.

During 2000, the Company awarded 33,334 warrants to a third party software developer in exchange for services. The exercise price of the 33,334 warrants was $56.78 per share and the warrants expired on March 31, 2003. The fair market value of the warrants on the date of grant was $424,000 and was recorded as additional paid-in capital and non-cash research and development expense during 2000.

12. COMMITMENTS AND CONTINGENCIES

LEASES

The Company rents certain office space, under noncancelable operating leases. Rents charged to expense were approximately $0.3 million, $0.2 million and $1.2 million for the years ended December 31, 2004, 2003, and 2002, respectively. Future minimum lease payments for the next five years and thereafter under noncancelable operating leases with remaining terms greater than one year as of December 31, 2004, are as follows (in thousands):

Gross Rental Obligations	Sub-Lease Income

Year ending December 31,		
2005	474	140
2006	413	104
2007	403	101
2008	420	105
2009	425	106
Thereafter	1,596	399
Total	$3,731	$955

Our corporate headquarters is currently located in Stamford, Connecticut where we lease approximately 8,600 square feet for $18,275 a month, pursuant to a lease, which expires on March 31, 2019.

We also lease approximately 5,200 square feet near Toronto, Canada, at a cost of approximately $11,000 per month, which was used for the delivery of services as well as research and development through October 2001. This lease expires in February 2006. This facility has been sub-leased for approximately $5,000 a month, pursuant to a sublease, which expires on January 30, 2006. The cost, net of the estimated sublease income has been included in general and administrative expense in the accompanying consolidated statement of operations in 2002.

INDEMNIFICATION

The Company has agreed to indemnify Epicor Software Corporation, as part of the sale of the Company's e-commerce business, for the conduct of this business prior to December 6, 2002. Additionally, the Company had historically indemnified its customers against damages and costs resulting from claims of patent, copyright, or trademark infringement associated with use of the software in its software licensing agreements.

The Company has not made any accruals or payments under such indemnifications. However, the Company continues to monitor the conditions that are subject to the indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under the indemnifications when those losses are reasonably estimable.

LITIGATION

We are not a party to nor are any of our properties subject to any pending legal, administrative or judicial proceedings other than routine litigation incidental to our business.

A complaint was filed on May 14, 2001 in the United States District Court for the Northern District of Georgia 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 complaint alleges that the Company and certain of its directors and officers 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 Company agreed to settle the class action in exchange for a payment of $4.5 million, which was covered by insurance. The Court approved the final settlement and dismissed the action on January 6, 2005.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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 effectiveness 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 December 31, 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 December 31, 2004 are effective.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

o pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2004.

The Company's independent registered public accounting firm, KPMG LLP, has audited management's assessment of the Company's internal control over financial reporting as of December 31, 2004.

Changes in Internal Control Over Financial Reporting

No changes in the Company's internal control over financial reporting have come to management's attention during the fourth quarter ended December 31, 2004 evaluation that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the caption "Election of Directors" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its Chief Administrative Officer and Controller, its principal executive officer and principal financial officer, and to all of its other officers, directors and employees. The code of ethics may be accessed at www.claruscorp.com, our Internet website, at the tab "Corporate Governance". The Company intends to disclose future amendments to, or waivers from, certain provisions of its code of ethics, if any, on the above website within five business days following the date of such amendment or waiver.

Other information required by Item 10, including information regarding directors, membership and function of the audit committee, including the financial expertise of its members, and Section 16(a) compliance, appearing under the captions "Election of Directors", "Information Regarding Board of Directors and Committees" and "Other Matters" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Principal Stockholders" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption "Principal Accountant Fees and Services" in our Proxy Statement used in connection with our 2005 Annual Meeting of Stockholders, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements, Financial Statement Schedules and Exhibits

(a) Financial Statements

(1) The following financial statements are filed with this report on the following pages indicated:

<TABLE>
<CAPTION>

(2) The following additional financial statement schedule and report of independent registered public accounting firm are furnished herewith pursuant to the requirements of Form 10-K:

(3) The following Exhibits are hereby filed as part of this Annual Report on Form 10-K:

</TABLE>

Exhibit
Number Exhibit

3.1 Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference from Exhibit 3.3 to the Company's Form S-1 Registration Statement (File No. 333- 46685)).

3.2 Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference from Exhibit 9.1 to the Company's 10-Q filed on August 14, 2000).

3.3 Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 31, 2003).

3.4 Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.2 to the Company's Registration Statement on Form S-4 (File No. 333-63535)).

3.5 Amendment No. 1 to the Amended and Restated Bylaws of the Company. (filed as Exhibit 3.4 to Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2003 and incorporated herein by reference).

4.1 See Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company defining rights of the holders of Common Stock of the Company.

4.2 Specimen Stock Certificate (incorporated by reference from Exhibit 9.1 to Company's Registration Statement on Form S-1 (File No. 333-46685)).

4.3 Restricted Stock Agreement dated as of April 11, 2003 between the Company and Warren B. Kanders (incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q filed on May 15, 2003). *

10.1 Asset Purchase Agreement, dated as of October 17, 2002, between Epicor Software Corporation and the Company (incorporated by reference from Exhibit 2.1 to the Company's Form 8-K filed on October 18, 2002).

10.2 Bill of Sale and Assumption Agreement, dated as of December 6, 2002, between Epicor Software Corporation and the Company (incorporated by reference from Exhibit 2.2 to the Company's (Form 8-K filed on October 18, 2002).

10.3 Trademark Assignment dated as of December 6, 2002, by the Company in favor of Epicor Software Corporation, (incorporated by reference from Exhibit 2.3 to the Company's Form 8-K filed on October 18, 2002).

10.4 Patent Assignment, dated as of December 6, 2002, between Epicor Software Corporation and the Company (incorporated by reference from Exhibit 2.4 to the Company's Form 8-K filed on October 18, 2002).

10.5 Noncompetition Agreement, dated as of December 6, 2002, between Epicor Software Corporation and the Company (incorporated by reference from Exhibit 2.5 to the Company's Form 8-K filed on October 18, 2002).

10.6 Transition Services Agreement, dated as of December 6, 2002, between Epicor Software Corporation and the Company (incorporated by reference from Exhibit 2.7 to the Company's Form 8-K filed on October 18, 2002).

10.7 Form of Indemnification Agreement for Directors and Executive Officers of the Company, (incorporated by reference as Exhibit 10.1 of the Company's Form 8-K filed on December 23, 2002).

10.8 Employment Agreement, dated as of December 6, 2002, between the Company and Warren B. Kanders (incorporated by reference from Exhibit 10.2 to the Company's Form 8-K filed on December 23, 2002).*

10.9 Employment Agreement, dated as of December 6, 2002, between the Company and Nigel P. Ekern. (incorporated by reference from Exhibit 10.3 to the Company's Form 8-K filed on December 23, 2002).*

10.10 Consulting Agreement, dated as of December 6, 2002, between the Company and Stephen P. Jeffery (incorporated by reference from Exhibit 10.4 to the Company's Form 8-K filed on December 23, 2002).*

10.11 Amended and Restated Stock Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q filed on August 14, 2000). *

10.12 Employee Stock Purchase Plan (incorporated by reference from Exhibit 10.3 to the Company's Form 10-Q filed on August 14, 2000). *

10.13 Global Employee Stock Purchase Plan (incorporated by reference from Exhibit 10.4 to the Company's Form 10-Q filed on August 14, 2000). *

10.14 Form of Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.5 to the Company's Form 10-Q filed on August 14, 2000). *

10.15 Stock Incentive Plan of Software Architects International, Limited (incorporated by reference from Exhibit 2.2 to the Company's Form 8-K filed on June 13, 2000). *

10.16 2000 Declaration of Amendment to Software Architects International Limited Stock Incentive Plan (incorporated by reference from Exhibit 2.3 to the Company's Form 8-K filed on June 13, 2000). *

10.17 1992 Stock Option Plan, effective November 22, 1992 (incorporated by reference from Exhibit 10.2 to Company's Registration on Form S-1 (File No. 333-46685)). *

10.18 Amendment to 1992 Stock Option Plan (incorporated by reference from Exhibit 10.2 to the Company's Form 10-K filed on March 30, 2000). *

10.19 Lease dated as of September 23, 2003 between Reckson Operating Partnership, L.P., the Company, and Kanders & Company, Inc. (incorporated by reference from Exhibit 10.1 to the Company's 10-Q filed on November 12, 2003).

10.20 Transportation Services Agreement dated as of December 18, 2003 between Kanders Aviation, LLC and the Company (incorporated by reference from Exhibit 10.23 to the Company's 10-K filed on March 11, 2004).

21.1 List of Subsidiaries.

23.1 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of Principal Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.

31.2 Certification of Principal Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.

32.1 Certification of Principal Executive Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934.

32.2 Certification of Principal Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange
Act of 1934

* Management contract or compensatory plan or arrangement.

(b) The exhibits are listed in Item 15. (a)(3) above.

(c) The financial statement schedules are listed in Item 15. (a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLARUS CORPORATION

Date: March 15, 2005

By: /s/ Nigel P. Ekern

Nigel P. Ekern
Chief Administrative Officer

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ Nigel P. Ekern Nigel P. Ekern	Chief Administrative Officer (principal executive officer)	March 15, 2005
/s/ Susan Luckfield Susan Luckfield	Controller (principal financial officer)	March 15, 2005
/s/ Warren B. Kanders Warren B. Kanders	Executive Chairman of the Board of Directors	March 15, 2005
/s/ Stephen P. Jeffery Stephen P. Jeffery	Director	March 15, 2005
/s/ Donald L. House Donald L. House	Director	March 15, 2005
/s/ Burtt R. Ehrlich Burtt R. Ehrlich	Director	March 15, 2005
/s/ Nicholas Sokolow Nicholas Sokolow	Director	March 15, 2005

</TABLE>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Clarus Corporation:

Under date of March 14, 2005, we reported on the consolidated balance sheets of Clarus Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended December 31, 2004, which are included in the Clarus Corporation 2004 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of Clarus Corporation's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG

Stamford, Connecticut

March 14, 2005

Schedule II

Valuation and Qualifying Accounts
Clarus Corporation and Subsidiaries
For the years ended December 31, 2004,
2003 and 2002 Allowance for Doubtful
Accounts, Valuation Allowance for Deferred
Income Tax Assets and Restructuring and Related Charges

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Deductions (a)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts				
2002	$636,000	$(560,000)	$(510,000)	$586,000
2003	586,000	18,000	604,000	--
2004	--	--	--	--
Valuation Allowance for Deferred Income Tax Assets				
2002	$60,015,000	$1,283,000	$ --	$61,298,000
2003	61,298,000	(1,957,000)	--	59,341,000
2004	59,341,000	37,265,000	--	96,606,000
Restructuring Accruals				
2002	$1,889,000	$8,550,000	$9,375,000	$1,064,000
2003	1,064,000	250,000	1,084,000	230,000
2004	230,000	33,000	190,000	73,000

</TABLE>

(a) Deductions related to the allowance for doubtful accounts represent the write-off of uncollectible accounts receivable balances against the allowance for doubtful accounts, net of recoveries. Deductions related to restructuring and related accruals represent cash payments.

EXHIBIT INDEX

Number	Exhibit
21.1	List of Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Principal Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Principal Executive Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934.
32.2	Certification of Principal Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934

EXHIBIT 21.1

The subsidiaries of Clarus Corporation are:

Clarus International, Inc., a Delaware corporation

Clarus eMEA, Ltd., a U.K. corporation

Clarus CSA, Inc., a Delaware corporation

Clarus CSA, Inc., a corporation incorporated under the laws of Ireland

SAI America Limited, a limited company incorporated under the laws of Ireland

SAI America LLC, a Delaware limited liability company

SAI Recruitment Limited, a limited company incorporated under the laws of Ireland

i2Mobile.com Limited, a limited company incorporated under the laws of Ireland

Software Architects International, LLC, a limited company incorporated under the laws of Ireland

REDEO Technologies, Inc., a Delaware corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Clarus Corporation

We consent to the incorporation by reference in the registration statements on Form S-8 (Registration Nos. 333-42600, 333-42602, 333-42604, 333-42606, 333-59193 and 333-71838) and on Form S-3 (Registration No. 333-90077) of Clarus Corporation of our reports dated March 14, 2005, with respect to the consolidated balance sheets of Clarus Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the three-year period ended December 31, 2004, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of Clarus Corporation.

/s/ KPMG LLP

Stamford, Connecticut
March 14, 2005

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Nigel P. Ekern, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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;

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: March 15, 2005 By: /s/ Nigel P. Ekern

Name: Nigel P. Ekern

Title: Chief Administrative Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Susan Luckfield certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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;

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: March 15, 2005 By: /s/ Susan Luckfield

Name: Susan Luckfield

Title: Controller

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 Annual Report of Clarus Corporation on Form 10-K for the year ended December 31, 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 Annual Report on Form 10-K 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: March 15, 2005 By: /s/ Nigel P. Ekern

Name: Nigel P. Ekern
Title: Chief Administrative 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 Annual Report of Clarus Corporation on Form 10-K for the year ended December 31, 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 Annual Report on Form 10-K 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: March 15, 2005 By: /s/ Susan Luckfield

Name: Susan Luckfield
Title: Controller