==

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, 2001

[_] 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.)

3970 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
(Address of principal office, including zip code)

(770) 291-3900
(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. [_]

The aggregate market value of the voting stock and non-voting common equity held by nonaffiliates of the Registrant at March 14, 2002 was approximately $61.1 million based on $4.04 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 14, 2002, was 15,578,142 shares.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the

Registrant's 2001 fiscal year end are incorporated by reference into Part III
of this report.

==

TABLE OF CONTENTS

		Page
PART I		
ITEM 1.	BUSINESS	1
ITEM 2.	PROPERTIES	7
ITEM 3.	LEGAL PROCEEDINGS	7
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	7
PART II		
ITEM 5.	MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	8
ITEM 6.	SELECTED FINANCIAL DATA	9
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	46
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA	47
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	79
PART III		
ITEM 10.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	80
ITEM 11.	EXECUTIVE COMPENSATION	80
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	80
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	80
PART IV		
ITEM 14.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K	80
SIGNATURES		83

PART I

ITEM 1. BUSINESS

This report contains certain forward-looking statements, including or related to our future results, including certain projections and business trends. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this report, the words "estimate," "project," "intend," "believe" and "expect" and similar expressions are intended to identify forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and we may not realize the results contemplated by the forward-looking statement. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based 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, the risks and uncertainties described in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors".

Overview

We develop, market, and support Internet-based business-to-business ("B2B") e-commerce solutions that automate the procurement, sourcing, and settlement of goods and services. Our software helps organizations reduce the costs associated with the purchasing and payment settlement of goods and services, and helps to maximize procurement economies of scale. Our digital marketplace solution provides a framework that allows companies to create trading communities and additional revenue opportunities. Our solutions also benefit suppliers by reducing sales costs and providing the opportunity to increase revenues. Our products have been licensed by customers such as BarclaysB2B, the Burlington Northern and Santa Fe Railway Company, Cox Enterprises, Mastercard International, Union Pacific Corporation, Parsons Brinckerhoff, Sumurfit-Stone Container Corporation, and Wachovia Corporation.

Our Internet-based business-to-business e-commerce solutions are significantly different than the client/server financial software applications that were the basis of our initial operations. There have been several milestones in the evolution of our business since our incorporation in Delaware in 1991. Those milestones include:

. Initial public offering. 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.

. ELEKOM acquisition. On November 6, 1998, we acquired ELEKOM Corporation ("ELEKOM") for approximately $15.7 million, consisting of $8.0 million in cash and approximately 1.4 million shares of our common stock. ELEKOM developed a software program that provided electronic corporate procurement capabilities to its clients.

. Sale of our Financial and Human Resources Software Business. 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. Approximately $2.9 million of the purchase price was placed in escrow and was subsequently settled during 2000.

. Follow-on public offering. 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.

. iSold.com acquisition. On April 28, 2000, we acquired all the capital stock of iSold.com, Inc. ("iSold") for approximately $2.5 million in cash of which $1.6 million was paid at the date of acquisition and $900,000 was accrued at the date of acquisition and paid in April 2001. iSold developed a software program that provided auctioning capabilities to its clients.

. SAI/Redeo Companies acquisition. On May 31, 2000, we acquired all the outstanding stock of SAI (Ireland) Limited, SAI Recruitment Limited and its subsidiaries and related companies, i2Mobile.com Limited and SAI America Limited (the "SAI/Redeo Companies") for approximately $63.2 million, consisting of approximately $30.0 million in cash (exclusive of $350,000 of cash acquired), 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of the Company's common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black-Scholes option pricing model with the following variables: no expected dividend yield, volatility of 70%, risk-free interest rate of 6.5%, and an expected life of 2 years) and acquisition costs of approximately $995,000 The SAI/Redeo Companies specialized in electronic payment settlement software.

Our Solution

We are a leading provider of Internet-based business-to-business e-commerce applications that automate the procurement, sourcing and settlement of goods and services. Our solution includes frameworks to manage corporate procurement and enable digital marketplaces. Key elements of our solution include the following:

- Our Procurement Solution. We offer a procurement solution for our customers from sourcing to procurement to payment settlement. Our solutions are designed to address the distinct business needs of corporate procurement and digital marketplaces. Our solutions also include critical capabilities such as online analytics, supplier enablement, and training and implementation services.

- Rapid Deployment/Speed to Return on Investment (ROI). We have demonstrated the rapid deployment capabilities of our e-commerce solutions. We believe that we offer added value by quickly getting our solutions in production and ready to process transactions so that our customers can quickly begin to realize a payback on their investment in our solution. Delivering solutions that can be deployed rapidly is a fundamental tenet of our solution strategy. We also offer bundled software and services solutions designed to extend the rapid deployment advantage even further for our customers.

- Flexible Business Model. Our business model provides flexible business terms for our customers including traditional software license agreements and subscription-based programs. Our business model is not based on transaction fees or revenue sharing. Our flexible business model includes options that allow companies to realize a more rapid return on their investment by decreasing their up-front software expenditures.

- Open Architecture. We offer a solution that is based on an open architecture and leverages leading electronic commerce technologies and industry standards such as Microsoft's .NET e-commerce platform and XML. Our open architecture allows for flexibility, open catalog content management, scalability, ease of administration, lower infrastructure costs and rapid deployment.

Our Strategy and Products

Our objective is to be a leading global provider of business-to-business e-commerce applications that automate the sourcing, procurement and payment settlement of goods and services.

The key elements of our strategy are to:

- Market and sell three e-commerce platforms: sourcing, procurement and settlement.

  Sourcing: We provide a sourcing solution that provides commerce capabilities such as auctions, weight-based request for quotations, and collaboration. Our sourcing platforms accounted for 15.4% and 7.4% of our total license fee revenue in 2001 and 2000, respectively.

  Procurement: We provide two options for electronic procurement: corporate e-procurement and a digital marketplace framework. Our corporate e-procurement product, Clarus eProcurement, is designed to provide Internet-based procurement of goods and services, and includes capabilities such as requisitioning, workflow, order management, and analytics. Our digital marketplace framework, Clarus eMarket, allows multiple buyer and supplier organizations to interact in a personalized trading environment. Clarus eMarket is designed for both private and public exchanges. Our procurement platforms accounted for 61.6% and 79.8% of our total license fee revenue in 2001 and 2000, respectively.

  Settlement: Clarus Settlement is designed to deliver a number of Internet-based settlement capabilities including net "market-maker" fee processing, buyer settlement, seller settlement, and reconciliation. Our settlement solution may be deployed either independently or as a component of our procurement solution. Our settlement platforms accounted for 23.0% and 12.8% of our total license fee revenue in 2001 and 2000, respectively.

- Execute a multi-channel sales strategy. We believe that a key to market penetration is a multi-channel sales strategy and organization. Therefore, our organization includes both a direct and indirect sales force.

- Leverage our business model for market penetration. Our solutions include software, services, support, implementation, training and integration, and are made available through a range of flexible purchase options spanning from perpetual licenses to subscriptions.

- Expand our international operations. We believe a market for our solution exists outside the United States. We expanded our operations internationally in 2000 with the opening of a branch office in the United Kingdom, and through the acquisition of the SAI/Redeo Companies, an organization with operations in Ireland. In 2001, 73.1% of our business was derived from U.S.-based companies. The remainder of the Company's 2001 revenue was derived from international markets, of which 12.6% of total revenue was derived from one customer in Italy. In 2000, 79.4% of our business was derived from U.S.-based companies. The remainder of the Company's 2000 revenue was derived from international markets, none of which exceeded 10% in any one country. In 1999 substantially all of our revenue was from U.S.-based companies. There are certain risks attendant to our international operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors".

- Offer flexible payment options. We believe a key to market adoption of our products is to offer multiple payment options that are a departure from the fee-based software licensing strategies that our competitors and we have traditionally employed.

Client Services

Our client services organization provides our customers and strategic partners with implementation services, training and technical support. This organization educates our customers and strategic partners on the strategy, methodology and functionality of our products and implements our solution, on average, within three to six months. We typically offer our implementation services to customers on a time and materials basis. We also offer several packaged service offerings designed to provide lower-risk, cost-efficient implementations for customers.

We have dedicated personnel within our client services organization to support our solution once implemented. We generally enter into a maintenance contract with our customers, which are renewable on an annual basis.

Strategic Alliances and Relationships

To ensure that we deliver a comprehensive solution to our customers, we continue to establish and develop strategic relationships with application service providers, systems integrators, resellers, OEMs and other complementary technology partners. These relationships are focused on the expansion of our sales reach to markets not covered by our direct sales organization.

We have developed relationships with regional, national and international systems integrators such as Deloitte & Touche and Compaq Solutions. These systems integrators implement our products and often assist us with sales lead generation. We continue to certify and train consultants and business development professionals in these organizations.

We also have developed relationships with selected resellers such as Compaq, Microsoft Great Plains' resellers, Manugistics, BCE Emergis, and Epicor. By acting as a global sales and delivery channel, we believe these resellers will accelerate the use and deployment of our solution by distributing our applications to a broad range of organizations.

Microsoft continues to be a key strategic partner for us. Most recently, in

2002, Microsoft elevated its partnership with Clarus to the select Independent Software Vendor ("ISV") program level in the managed partner group. This selection recognizes our commitment to .NET and its importance in a strategic area of the enterprise software marketplace. It also recognizes us as one of Microsoft's top 20 ISV partners and will continue to provide us access to engineering, sales and marketing resources at Microsoft. We engage with Microsoft in joint marketing, selling, and product strategy at both a corporate and a field level. During 2000, Clarus eMarket was named the Microsoft(R) Global e-Commerce Solution of the Year for its advanced design and technology optimization on Microsoft's .Net platform. We continue to design, develop, deliver, and optimize all of our solutions exclusively for the Microsoft platform. Additionally, during 2001 we entered into a reseller agreement with Microsoft Great Plains that was subsequently restructured to allow us to deal directly with the Microsoft Great Plains' resellers.

Sales and Marketing

We sell our software and services through our direct sales force and a number of indirect channels. Our direct sales force, consisting of 41 sales professionals as of December 31, 2001, is organized geographically into two regions: the Americas and Europe, Middle East and Africa ("EMEA") regions. Our sales professionals receive a base salary and earn commissions based on achieving quarterly and annual sales goals. We have also developed indirect channels to accelerate market adoption of our solution. These indirect channels include partnerships with application service providers, systems integrators, resellers and other partners. International channel resellers have also been established to extend our global sales operations in EMEA, Asia Pacific, and Latin America. The sales cycle for our business-to-business e-commerce products typically averages four to nine months.

We have designed our marketing strategy to position us as a leading global provider of Internet-based business-to-business e-commerce applications. In support of our strategy, we engage in a full range of marketing programs focused on creating awareness and generating qualified leads. These programs include developing and maintaining alliances with business partners such as Microsoft, Compaq and Deloitte & Touche. We participate in industry trade shows and seminars, use telemarketing campaigns, and conduct direct mail campaigns. We hosted an executive customer conference, eCLeadership, in May 2001. In addition, we maintain a web site, www.claruscorp.com, which is integrated with our sales, marketing, recruiting and fulfillment operations.

Competition

The market for our products is highly competitive and subject to rapid technological change. We believe we are able to differentiate our solutions from corporate electronic procurement and digital marketplace providers such as Ariba and Commerce One through the breadth and depth of our solution, our product quality and performance, our customer service, our product features and the value of our overall solution . We also encounter competition with respect to different aspects of our solution from companies such as VerticalNet, PurchasePro, FreeMarkets, and i2. We also anticipate competition from some of the large enterprise resource planning software vendors, such as Oracle, SAP and Peoplesoft.

The principal competitive factors affecting our market include having a significant base of referenceable, production customers, breadth and depth of solution, a critical mass of buyers and suppliers, product quality and performance, customer service, architecture, product features, the ability to implement, and value of the overall solution. We believe our solution competes favorably with respect to these factors.

Research and Development

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

Our research effort focuses on identifying new and emerging technologies and engineering processes, especially with respect to Internet and intranet transaction processing. Our development effort focuses primarily on the product delivery cycle and our associated technologies and software life-cycle processes. Our development teams consist of software engineering, documentation and quality assurance personnel who have extensive industry experience. Specific responsibilities of our development teams include:

- enhancing functionality and performance within our product line;

- developing new products and integrating with strategic third-party products to strengthen our product line;

- updating our product line to remain current and compatible with new operating systems, databases and tools; and

- managing and continuously improving the overall software development process.

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

Our research and development expenditures were approximately $16.2 million, $22.4 million and $9.0 million for the years ended December 31, 2001, 2000 and 1999, respectively. In addition, during 2000, we incurred $424,000 of noncash research and development expenses related to warrants issued to a third party to develop certain software. Substantially all of our research and development expenditures in 1999 were related to our enterprise resource planning business that we sold to Geac Computer Systems, Inc. and Geac Canada Limited in October 1999. The majority of our research and development expenditures in 2001 and 2000 were related to our e-commerce products.

As of December 31, 2001, we employed 70 research and development personnel. We have from time to time supplemented, and plan to continue to supplement, our research and development organization through outside contractors and consultants when necessary.

Proprietary Rights and Licensing

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

Existing patent, trade secret and copyright laws afford only limited protection of our proprietary rights. We have applied for registration for certain trademarks and will continue to evaluate the registration of copyrights and additional trademarks as appropriate. Because of the rapid pace of technological change in the software industry, we believe that the intellectual property protection of our products is a less significant factor in our success than the knowledge, abilities and experience of our employees, the frequency of our product enhancements, the effectiveness of our marketing activities and the timeliness and quality of our support services.

We enter into license agreements with each of our customers. Each of our license agreements provides for the customer's non-exclusive right to use the object code version of our products. Our license agreements prohibit the customer from disclosing to third parties or reverse engineering our products and disclosing our other confidential information.

Employees

Our employees are based in the United States, Canada, the United Kingdom, and Ireland. As of December 31, 2001, we had a total of 209 employees, including 53 in client services, 41 in sales, 2 in business development, 11 in marketing, 70 in research and development and 32 in finance and administration.

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 excellent.

Where You Can Find More Information

At your request, we will provide you, without charge, a copy of any exhibits to this annual report on Form 10-K. If you want an exhibit or more information, call, write or e-mail us at:

Clarus Corporation
3970 Johns Creek Court
Suite 100
Suwanee, Georgia 30024
Telephone: (770) 291-3900
Fax: (770) 291-4997
www.claruscorp.com
Contact: Kevin Acocella

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

ITEM 2. PROPERTIES

Our corporate headquarters is located in Suwanee, Georgia, where we lease approximately 89,000 square feet. This location houses: client services, strategy and business development, sales and marketing, research and development, and finance and administration. Our Europe, Middle East and Africa ("EMEA") headquarters is in Maidenhead, England, where we lease approximately 7,700 square feet. This location houses: client services, business development, sales and marketing, and finance and administration. We also lease approximately 6,000 square feet in Limerick, Ireland, which is primarily used for development of our Clarus Settlement product and approximately 5,200 square feet near Toronto, Canada, which was used for the delivery of services as well as research and development through October, 2001. We also lease executive suites, primarily for sales offices. We believe our facilities are adequate for future growth.

We are currently attempting to sub-let our facility near Toronto, Canada and a portion of the corporate headquarters in Suwanee, Georgia.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to lawsuits in the normal course of its business. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of the following lawsuit could adversely affect the Company's business, results of operations, liquidity or financial condition.

Following its public announcement on October 25, 2000, of its financial results for the third quarter, the Company and certain of its directors and officers were named as defendants in fourteen putative class action lawsuits filed in the United States District Court for the Northern District of Georgia on behalf of all purchasers of common stock of the Company during various periods beginning as early as October 20, 1999 and ending on October 25, 2000. The fourteen class action lawsuits filed against the Company were consolidated into one case, Case No. 1:00-CV-2841, pursuant to an order of the court dated November 17, 2000. On March 22, 2001, the Court entered an order appointing as the lead Plaintiffs John Nittolo, Dean Monroe, Ronald Williams, V&S Industries, Ltd., VIP World Asset Management, Ltd., Atlantic Coast Capital Management, Ltd., and T.F.M. Investment Group. Pursuant to the previous Consolidation Order of the Court, a Consolidated Amended Complaint was filed on May 14, 2001. On

June 29, 2001, the Company filed a motion to dismiss the consolidated case. The plaintiffs responded to the Company's motion to dismiss on August 6, 2001. The Company replied with a rebuttal to the plaintiffs' response on August 27, 2001.

The class action complaint alleges claims against the Company and other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder with respect to alleged material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and certain press releases and other public statements made by the Company and certain of its officers relating to its business, results of operations, financial condition and future prospects, as a result of which, it is alleged, the market price of the Company's common stock was artificially inflated during the class periods. The class action complaint focuses on statements made concerning an account receivable from one of the Company's customers. The plaintiffs seek unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. The Company believes that it has complied with all of its obligations under the Federal securities laws and the Company intends to defend this lawsuit vigorously. As a result of consultation with legal representation and current insurance coverage, the Company does not believe the lawsuit will have a material impact on the Company's results of operations or financial position.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

<TABLE>
<CAPTION>

	Closing Sales Price	
	High	Low
Calendar Year 2000		
First Quarter	$136.00	$54.50
Second Quarter	$ 68.38	$21.31
Third Quarter	$ 63.25	$22.81
Fourth Quarter	$ 23.75	$ 6.06
Calendar Year 2001		
First Quarter	$ 9.25	$ 5.09
Second Quarter	$ 7.29	$ 5.08
Third Quarter	$ 8.45	$ 3.55
Fourth Quarter	$ 6.27	$ 3.30
Calendar Year 2002		
First Quarter (through March 14, 2002)	$ 6.25	$ 3.44

</TABLE>

Stockholders

As of March 14, 2002, there were 167 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. The following statement of operations and balance sheet data have been derived from our audited consolidated financial statements and should be read in conjunction with those statements, which are included in this report.

<TABLE>
<CAPTION>

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues:					
License fees	$ 7,807	$ 24,686	$ 15,101	$ 17,372	$13,506
Services fees	9,198	9,361	23,041	24,268	12,482
Total revenues	17,005	34,047	38,142	41,640	25,988
Cost of revenues:					
License fees	211	154	1,351	1,969	1,205
Service fees	12,253	11,935	14,517	13,952	7,311
Total cost of revenues	12,464	12,089	15,868	15,921	8,516
Operating expenses:					
Research and development, exclusive of noncash expense	16,220	22,390	9,003	6,335	6,690
Noncash research and development	--	424	--	--	--
In-process research and development	--	8,300	--	10,500	--
Sales and marketing, exclusive of noncash expense	27,294	36,230	15,982	11,802	9,515
Noncash sales and marketing	6,740	7,001	1,930	--	--
General and administrative, exclusive of noncash expense	9,381	9,897	4,996	4,387	3,036
Provision for doubtful accounts	5,537	5,824	1,245	739	125
Noncash general and administrative	252	1,098	874	880	58
Loss on impairment of intangible assets	36,756	--	--	--	--
Depreciation and amortization	12,212	8,132	3,399	2,154	1,406
Total operating expenses	114,392	99,296	37,429	36,797	20,830
Operating loss	(109,851)	(77,338)	(15,155)	(11,078)	(3,358)
Gain on sale of assets	20	1,347	9,417	--	--
Gain on foreign currency transactions	107	--	--	--	--
Loss on sale of marketable securities	(11)	(100)	--	--	--
Loss on impairment of investments	(16,461)	(4,128)	--	--	--
Amortization of debt discount	--	(982)	--	--	--
Interest income	6,570	10,902	442	636	34
Interest expense	(228)	(348)	(105)	(224)	(308)
Minority interest	--	--	--	(36)	(478)
Net loss	$(119,854)	$(70,647)	$ (5,401)	$(10,702)	$(4,110)
Net loss per common share:					
Basic	$ (7.72)	$ (4.90)	$ (0.49)	$ (1.70)	$ (2.97)
Diluted	$ (7.72)	$ (4.90)	$ (0.49)	$ (1.70)	$ (2.97)
Weighted average common shares outstanding:					
Basic	15,530	14,420	11,097	6,311	1,386
Diluted	15,530	14,420	11,097	6,311	1,386

</TABLE>

	As of December 31,				
	2001	2000	1999	1998	1997
Balance Sheet Data:					
Cash and cash equivalents	$ 55,628	$118,303	$14,127	$14,799	$ 7,213
Marketable securities	65,264	50,209	--	--	--
Working capital (deficit)	114,609	171,336	16,751	9,001	(453)
Total assets	145,274	266,904	48,563	40,082	14,681
Long-term debt, net of current portion	5,000	5,000	--	245	497
Total stockholders' equity (deficit)	126,328	246,822	32,615	22,111	(27,910)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains certain forward-looking statements, including or related to our future results, including certain projections and business trends. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this report, the words "estimate," "project," "intend," "believe" and "expect" and similar expressions are intended to identify forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and we may not realize the results contemplated by the forward-looking statement. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based 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, the risks and uncertainties described in "Risk Factors".

Overview

The Company develops, markets, and supports Internet-based business-to-business ("B2B") e-commerce solutions that automate the procurement, sourcing, and settlement of goods and services. The Company's software helps organizations reduce the costs associated with the purchasing and payment settlement of goods and services, and helps to maximize procurement economies of scale. The Company's digital marketplace solution provides a framework that allows companies to create trading communities and additional revenue opportunities. The Company's solutions also benefit suppliers by reducing sales costs and providing the opportunity to increase revenues. The Company's products have been licensed by customers such as BarclaysB2B, the Burlington Northern and Santa Fe Railway Company, Cox Enterprises, Mastercard International, Union Pacific Corporation, Parsons Brinckerhoff, Sumurfit-Stone Container Corporation, and Wachovia Corporation.

The Company's Internet-based business-to-business e-commerce solutions are significantly different than the client/server financial software applications that were the basis of our initial operations. There have been several milestones in the evolution of our business since our incorporation in Delaware in 1991. Those milestones include:

. Initial public offering. 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.

. ELEKOM acquisition. On November 6, 1998, we acquired ELEKOM Corporation ("ELEKOM") for approximately $15.7 million, consisting of $8.0 million in cash and approximately 1.4 million shares of our common stock. ELEKOM developed a software program that provided electronic corporate procurement capabilities to its clients.

. Sale of our Financial and Human Resources Software Business. 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. Approximately $2.9 million of the purchase price was placed in escrow and was subsequently settled during 2000.

. Follow-on public offering. 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.

. iSold.com acquisition. On April 28, 2000, we acquired all the capital stock of iSold.com, Inc. ("iSold") for appproximately $2.5 million in cash of which $1.6 million was paid at the date of acquisition and $900,000 was accrued at the date of acquisition and paid in April 2001. iSold developed a software program that provided auctioning capabilities to its clients.

. SAI/Redeo Companies acquisition. On May 31, 2000, we acquired all the outstanding stock of SAI (Ireland) Limited, SAI Recruitment Limited and its subsidiaries and related companies, i2Mobile.com Limited and SAI America Limited (the "SAI/Redeo Companies") for approximately $63.2 million, consisting of approximately $30.0 million in cash (exclusive of $350,000 of cash acquired), 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of the Company's common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black-Scholes option pricing model with the following variables: no expected dividend yield, volatility of 70%, risk-free interest rate of 6.5%, and an expected life of 2 years) and acquisition costs of approximately $995,000. The SAI/Redeo Companies specialized in electronic payment settlement software.

Critical Accounting Policies and Use of Estimates

If demand for business-to-business software and related services remain soft our business, operating results, liquidity and financial condition will be adversely affected. Our success depends on market acceptance of e-commerce as a viable method for corporate procurement and other commercial transactions and market adoption of our current products and future products. We continue to reposition our products and our company in the markets we serve. This strategy may not be successful. The competitive landscape we face is continuously changing. It is difficult to estimate how competition will affect our revenues.

It is also very difficult to predict our quarterly results. We have incurred significant net losses in each year since our inception. We believe that we will continue to incur losses in 2002. We may not increase our customer base sufficient to generate the substantial additional revenues necessary to become profitable. We have established strategic selling relationships with a number of outside companies. There is no guarantee that these relationships will generate the level of revenues currently anticipated.

As we expand our international sales and marketing activities and international operations our business is more susceptible to the numerous risks associated with international sales and operations. We may not be successful in addressing these and other risks and difficulties that we may encounter. Please refer to the "Risk Factors" sections for additional information regarding the risks associated with our operations and financial condition.

The Company's discussion of financial condition and results of operations are based on the consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these 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 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.

. The Company recognizes 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.

. The Company maintains allowances for doubtful accounts based on expected losses resulting from the inability of the Company's customers to make required payments. As a result, the Company has recorded a provision for doubtful accounts of $5.5 million, $5.8 million and $1.2 million, respectively, in the years ended December 31, 2001, 2000 and 1999. If the financial condition of these customers were to deteriorate additional allowances may be required.

. The Company has significant long-lived assets, primarily intangibles, as a result of acquisitions completed during 2000. The Company has periodically evaluated the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ". During the fourth quarter of 2001, the Company's evaluation of the performance of the SAI/Redeo companies compared to initial projections, negative economic trends and a decline in industry growth rate projections indicated that the carrying value of these intangible assets exceeded management's revised estimates of future undiscounted cash flows. This assessment resulted in a $36.8 million impairment charge of the intangible assets based on the amount by which the carrying amount of these assets exceeded fair value. Subsequent changes in projections may require additional impairment charges.

. The Company has made equity investments in several privately held companies. The Company records an impairment charge when it believes an investment has experienced a decline in value that is other than temporary. During the years ended December 31, 2001 and 2000, the Company recorded impairment charges on investments of $15.4 million and $4.1 million, respectively.

. The Company is a party to lawsuits in the normal course of its business. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of the following lawsuit could adversely affect the Company's business, results of operations, liquidity or financial condition.

Following its public announcement on October 25, 2000, of its financial results for the third quarter, the Company and certain of its directors and officers were named as defendants in fourteen putative class action lawsuits filed in the United States District Court for the Northern District of Georgia on behalf of all purchasers of common stock of the Company during various periods beginning as early as October 20, 1999 and ending on October 25, 2000. The fourteen class action lawsuits filed against the Company were consolidated into one case, Case No. 1:00-CV-2841, pursuant to an order of the court dated November 17, 2000. On March 22, 2001, the Court entered an order appointing as the lead Plaintiffs John Nittolo, Dean Monroe, Ronald Williams, V&S Industries, Ltd., VIP World Asset Management, Ltd., Atlantic Coast Capital Management, Ltd., and T.F.M. Investment Group. Pursuant to the previous Consolidation Order of the Court, a Consolidated Amended Complaint was filed on May 14, 2001. On June 29, 2001, the Company filed a motion to dismiss the consolidated case. The plaintiffs responded to the Company's motion to dismiss on August 6, 2001. The Company replied with a rebuttal to the plaintiffs' response on August 27, 2001.

The class action complaint alleges claims against the Company and other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder with respect to alleged material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and certain press releases and other public statements made by the Company and certain of its officers relating to its business, results of operations, financial condition and future prospects, as a result of which, it is alleged, the market price of the Company's common stock was artificially inflated during the class periods. The class action complaint focuses on statements made concerning an account receivable from one of the Company's customers.

The plaintiffs seek unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. The Company believes that it has complied with all of its obligations under the Federal securities laws and the Company intends to defend this lawsuit vigorously. As a result of consultation with legal representation and current insurance coverage, the Company does not believe the lawsuit will have a material impact on the Company's results of operations or financial position.

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 these 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.

Sources of Revenue

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

Revenue Recognition

The Company recognizes 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. Revenue from hosted software agreements are recognized ratably over the term of the hosting arrangements.

Cost of Revenues and Operating Expenses

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

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

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

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

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

The Company has incurred significant costs to develop its business-to-business e-commerce technology and products and to recruit and train personnel. The Company believes its success is contingent upon increasing its customer base and investing in further development of its products and services. This will require significant expenditures for sales, marketing, research and development, and to a lesser extent support infrastructure. The Company therefore expects to continue to incur substantial operating losses during 2002.

Limited Operating History

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

Pro-forma Results

The Company prepares and releases quarterly unaudited financial statements prepared in accordance with generally accepted accounting principles ("GAAP"). The Company also discloses and discusses certain pro forma financial information in the related earnings releases and investor conference calls. This pro forma financial information excludes restructuring costs and expenses related to reductions in employee workforce and office closure and consolidation, depreciation and amortization charges, stock-based compensation expenses, gain realized on the sale of assets, loss on the sale of marketable securities and loss on impairment of investments, all of which are included in our financial results for GAAP reporting purposes. Additionally, pro forma results exclude $36.8 million for a goodwill impairment charge, recognized in 2001, related to the

write-down of certain intangible assets associated with the acquisition of the SAI/Redeo companies. The Company believes the disclosure of the pro forma financial information helps investors more meaningfully evaluate the results of the Company's ongoing operations. The pro forma measures are not in accordance with GAAP and may be different from pro forma measures used by other companies including our competitors. Therefore, we urge you to carefully review the GAAP financial information included as part of this Annual Report on Form 10-K, compare GAAP financial information with the pro forma financial results disclosed below and read the associated reconciliation.

Pro Forma Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

<TABLE>
<CAPTION>

	Years ended December 31	
	2001	2000
<S>	<C>	<C>
Revenues:		
License fees	$ 7,807	$ 24,686
Services fees	9,198	9,361
Total Revenues	17,005	34,047
Cost of Revenues:		
License fees	211	154
Services fees	11,076	11,935
Total Cost of Revenues	11,287	12,089
Operating Expenses:		

Research and development	16,003	22,390
Sales and marketing	26,076	36,230
General and administrative	7,836	9,897
Bad debt expense	5,537	5,824
Total Operating Expenses	55,452	74,341
Operating loss	$(49,734)	$(52,383)
Gain on foreign currency transactions	107	--
Interest income, (net)	6,342	10,554
Pro forma net loss	$(43,285)	$(41,829)
Weighted average shares outstanding--basic and diluted	15,530	14,420
Pro forma net loss per share--basic and diluted	$ (2.79)	$ (2.90)

</TABLE>

Reconciliation of GAAP Net Loss to Pro Forma Net Loss
(in thousands, except per share data)
(unaudited)

<TABLE>
<CAPTION>

<S>	Twelve months ended December 31 2001 <C>	2000 <C>
Net loss	$(119,854)	$(70,647)
Restructuring costs/1/	4,157	--
In-process research and development	--	8,300
Goodwill impairment loss	36,756	--
Depreciation and amortization	12,212	8,132
Stock-based compensation	6,992	8,523
Gain on sale of assets	(20)	(1,347)
Realized loss on sale of investments	11	100
Loss on impairment of investments	16,461	4,128
Amortization of debt discount	--	982
Pro forma net loss	$ (43,285)	$(41,829)
Weighted average shares outstanding--basic and diluted	15,530	14,420
Pro forma net loss per share--basic and diluted	$ (2.79)	$ (2.90)

</TABLE>

- --------

(1) Restructuring costs are comprised of employee severance and termination costs and office closure and consolidation costs. For the year ended December 31, 2001, these costs were classified in the consolidated statement of operations as follows:

<TABLE>
<CAPTION>

<S>	Year Ended December 31, 2001 (in thousands) <C>
Cost of revenues--services fees	$1,177
Research and development	217
Sales and marketing	1,218
General and administrative	1,545
Total	$4,157

</TABLE>

Restructuring and Related Costs

During 2001, the Company's management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $513,000, $498,000 and $3.1 million were expensed in the first, third and fourth quarters of 2001, respectively, to better align the Company's cost structure with projected revenue. The first and third quarter charges were comprised entirely of employee separation and related costs for 23 and 43 employees, respectively. The fourth quarter charge was comprised of $1.9 million for employee separation and related costs for 115 employees and $1.2 million for facility closure and consolidation costs. For the year ended December 31, 2001, the restructuring and related costs were classified in the Company's consolidated statement of operations as follows:

<TABLE>
<CAPTION>

<S>	Year Ended December 31, 2001 <C>
Cost of revenues--services fees.................	$1,177
Research and development........................	217
Sales and marketing.............................	1,218
General and administrative......................	1,545
Total accrued for restructuring and related costs	$4,157

</TABLE>

The Company completed all employee separation initiatives by December 31, 2001 and expects to complete the facility closure and consolidation during the first half of 2002. The facility closure and consolidation costs relate to the abandonment of the Company's leased facility near Toronto, Canada and the restructuring of the Company's leased facility in Suwanee, Georgia. Total facility closure 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 anticipates annualized savings of approximately $18.3 million as a result of these actions.

The following is a reconciliation of the components of the accrual for restructuring and related costs, the amounts charged against the accrual during 2001 and the balance of the accrual as of December 31, 2001:

<TABLE>
<CAPTION>

<S>	Restructuring and Related Charges <C>	Expenditures <C>	December 31, 2001 <C>
	(in thousands)		
Employee separation costs...........	$2,939	$2,259	$ 680
Facility closure costs..............	1,218	9	1,209
Total restructuring and related costs	$4,157	$2,268	$1,889

</TABLE>

The accrual for restructuring and related costs is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet at December 31, 2001.

Results of GAAP Operations e-commerce and ERP

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

	Years Ended December 31, 2001	2000	1999
	(in thousands)		
Revenues: e-commerce			
License fees	$ 7,807	$24,686	$ 9,969
Services fees	9,198	9,361	1,515
Total revenues	17,005	34,047	11,484
Revenues: ERP			
License fees	--	--	5,132
Services fees	--	--	21,526
Total revenues	--	--	26,658
Cost of revenues: e-commerce			
License fees	211	154	400
Services fees	12,253	11,935	3,130
Total cost of revenues	12,464	12,089	3,530
Cost of revenues: ERP			
License fees	--	--	951
Services fees	--	--	11,387
Total cost of revenues	--	--	12,338
Gross margin on e-commerce license fees	7,596	24,532	9,569
Gross margin on e-commerce services fees	(3,055)	(2,574)	(1,615)
Gross margin on ERP license fees	--	--	4,181
Gross margin on ERP services fees	--	--	10,139

	Years Ended December 31, 2001	2000	1999
	(in thousands)		
Operating expenses:			
Research and development, exclusive of noncash expense	16,220	22,390	9,003
Noncash research and development	--	424	--
In-process research and development	--	8,300	--
Sales and marketing, exclusive of noncash expense	27,294	36,230	15,982
Noncash sales and marketing	6,740	7,001	1,930
General and administrative, exclusive of noncash expense	9,381	9,897	4,996
Bad debt expense	5,537	5,824	1,245
Noncash general and administrative	252	1,098	874
Intangible impairment	36,756	--	--
Depreciation and amortization	12,212	8,132	3,399
Total operating expenses	114,392	99,296	37,429
Operating loss	(109,851)	(77,338)	(15,155)
Gain on sale of assets	20	1,347	9,417
Gain on foreign currency transactions	107	--	--
Realized loss on sale of investments	(11)	(100)	--
Loss on impairment of investments	(16,461)	(4,128)	--
Amortization of debt discount	--	(982)	--
Interest income, net	6,342	10,554	337
Net loss	$(119,854)	$(70,647)	$ (5,401)

========= ======== ========

</TABLE>

Results of Operations

Years Ended December 31, 2001 and 2000

Revenues

Total Revenues. Total revenues decreased 50.1% to $17.0 million in 2001 from $34.0 million in 2000. The decrease in total revenues resulted primarily from a decrease in license revenue due to the softening demand for business-to-business software and a decline in the information technology market generally. For the year ended December 31, 2001, three customers accounted for more than 10% each, totaling $6.1 million or 35.7% of total revenue. The percentage of total revenue recognized from these three customers was 12.6%, 11.6%, and 11.5%. For the year ended December 31, 2000, one customer accounted for more than 10%, totaling $3.8 million or 11.3% of total revenue.

License Fees. License fees decreased 68.4% to $7.8 million, or 45.9% of total revenues, in 2001 from $24.7 million, or 72.5% of total revenues, in 2000. The decrease in license fees was the result of a decrease in the amount of software licensed. This decrease is due to the factors discussed above.

Services Fees. Services fees decreased 1.7% to $9.2 million from $9.4 million in 2001, but increased as a percentage of total revenues to 54.1% in 2001 from 27.5% in 2000. This decrease is primarily attributable to a decrease in implementation and training services, a direct result of the decrease in the amount of software licensed, partially offset by an increase in maintenance fees.

Cost of Revenues

Total Cost of Revenues. Cost of revenues increased 3.1% to $12.5 million, or 73.3% of total revenues, during the year ended December 31, 2001 from $12.1 million, or 35.5% of total revenues, during the same period in 2000. The increase in the total cost of revenues and increase in percentage of total revenues is primarily a result of a change in the mix of revenue to services fees from license fees, which historically have a higher cost of revenues.

Cost of License Fees. Cost of license fees increased to $211,000 in 2001 from $154,000 in 2000. Cost of license fees includes royalties and software duplication and distribution costs. The cost of license fees may vary from period to period depending on the product mix licensed, but are expected to remain a small percentage of license fees.

Cost of Services Fees. Cost of services fees increased 2.7% to $12.3 million, or 133.2% of total services fees, in 2001 compared to $11.9 million, or 127.5% of total services fees, in 2000. The increase in the cost of services fees was primarily attributable to restructuring costs and an increase in personnel related costs partially offset by a decrease in consulting fees. The Company incurred $1.0 million of expense related to employee separation and related benefit costs and $0.2 million of facility closure costs incurred as part of the Company's restructuring initiative. The Company had an average of 21.7% more employees during the year ended December 31, 2001 compared to the same period during 2000. The consulting fees related to subcontracted services were approximately $422,000 during the year ended December 31, 2001 compared to approximately $2.4 million during the year ended December 31, 2000. The Company has incurred cost of e-commerce service fees in excess of revenues from e-commerce service fees due primarily to the hiring and training of personnel in anticipation of future growth. As discussed above, the Company's management approved plans to reorganize and reduce operating costs during 2001. These actions have allowed the Company to better align its cost structure with projected revenue and allowed the Company's services fees revenue to exceed cost of services fees on a pro forma basis during the fourth quarter of 2001. Although the Company anticipates continued services fees revenue in excess of cost of services fees, there can be no assurance that due to fluctuations in services fees revenue and the relatively fixed nature of the cost of services fees that costs will not exceed revenue in the future.

Research and Development, Exclusive of Noncash Expense

Research and development expenses decreased 27.6% to $16.2 million, or 95.4% of total revenues, in 2001 from $22.4 million, or 65.8% of total revenues, in 2000. Research and development expenses decreased primarily due to decreased consulting fees incurred to develop the Company's products partially offset by an increase in personnel related costs, restructuring costs of $217,000 incurred during 2001 and a $600,000 fee incurred during 2001 as a result of terminating a services agreement with a development partner. Consulting fees decreased to approximately $3.6 million during the year ended December 31, 2001 from approximately $12.3 million during the year ended December 31, 2000. The Company had an average of 6.5% more employees in the research and development area during 2001 compared to the same period of 2000. The Company intends to perform most research and development in-house moving forward, but expects to incur consulting fees for certain specialized development projects.

Noncash Research and Development Expense

Noncash research and development expenses of approximately $424,000 were recognized during 2000. The expense resulted from the Company's agreement with a third party to develop certain software that the Company intends to sell in the future. The agreement required the third party to reach certain milestones related to the software development in order to receive warrants to purchase 50,000 shares of the Company's common stock with an exercise price of $56.78. The third party completed two of the three scheduled milestones in the first quarter of 2000 and they were granted warrants to purchase 33,334 shares of common stock. The value of the warrants earned approximated $424,000 and was computed using the Black-Scholes option pricing model. The third milestone was not reached by the scheduled due date, and as a result, the warrants to purchase the remaining 16,666 shares of common stock were forfeited. Warrants to purchase 33,334 shares remain outstanding at December 31, 2001 and expire in the first quarter of 2003.

In-Process Research and Development Expense

In-Process Research and Development ("IPR&D") expense was approximately $8.3 million for the year ended December 31, 2000. The Company recorded this expense in the second quarter of 2000 related to its acquisition of the SAI/Redeo Companies on May 31, 2000 (the "Valuation Date").

At the Valuation Date, the SAI/Redeo Companies had technology under development that had not demonstrated technological or commercial feasibility. This technology is described below. As of the Valuation Date, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the IPR&D had no alternative future use in the event that the proposed products did not prove to be feasible. These development efforts fall within the definition of IPR&D contained in Statement of Financial Accounting Standards ("SFAS") No. 2.

SAI/Redeo IPR&D. Management believes that the SAI/Redeo product under development is the first settlement product that completes the B2B commerce procurement cycle for the buy side, sell side, and net marketmakers ("NMMs"). The Company's goal is to complete the e-procurement cycle from order fulfillment to settlement automatically and at the lowest possible cost. Planned functional capabilities of the SAI/Redeo product include:

- Payment Type Independence--Multiple payment types are fully supported, including credit card, purchasing card, EFT, direct debit, direct deposit, and traditional check. The process is flexible, allowing trading partners and NMMs to negotiate solutions.

- Deferred/Scheduled Settlement--Transactions may be scheduled for settlement to assure traditional payment terms are retained. Control over settlement may be pre-negotiated or retained by either the customer or the vendor.

- Least Cost Pricing--The portal determines the lowest cost alternative for settlement based on business rules configured between trading partners and the NMMs.

. Multi-currency--Trading partners may settle in any currency with exchange gains, losses and settlement charges recorded in the trading partners respective ERP system.

. Global Coverage--Any bank or service provider around the world may be used for settlement and is not tied to the country where the transaction originated. Settlement integration is performed using EDI or XML standards.

. Financial Institution Integration and Independence--Redeo currently offers integration with over 60 banks around the world, and trading partners and NMMs can change banking and service provider relationships. Also, trading partners can select the settlement institution or service provider at the time of the settlement.

. ERP Integration--Settlement may be integrated with the leading ERP providers, allowing trading partners to have disparate ERP systems within their enterprise and between enterprises.

. Aggregation & Consolidation--Trading partners in the net market may aggregate and net transactions in order to reduce the number of settlement transactions.

. Reconciliation--Transactions and balances may be automatically reconciled between trading partners and NMM's disparate systems. Charge backs and disputes may be automatically recorded and processed.

At the Valuation Date, the technologies were approximately 70.5% complete. The acquired in-process technologies were originally anticipated to become commercially viable in years 2000, 2001, and 2002. Expenditures to complete the acquired in-process technologies were expected to total approximately $3.5 million. The initial development and commercial release of the Company's Settlement product was completed during the third quarter of 2000. The Company is continuing to invest in further development and enhancements of the Settlement product. During the year ended December 31, 2001, 23.0% of the Company's license revenue was derived from licensing the Settlement product. During the year ended December 31, 2000, 12.8% of the Company's license revenue was derived from licensing the Company's Settlement product.

Valuation of IPR&D: Amounts allocated to IPR&D were calculated using established valuation techniques in the high technology industry and the Company expensed such amounts in the quarter that the acquisition was consummated because technological feasibility had not been achieved and no alternative future uses had been established. Consistent with the Company's policy for internally developed technology, the Company concluded that the IPR&D had no alternative future use after taking into consideration the potential for usage of the technology in different products, resale of the software, and internal usage.

Upon consummation of the SAI/Redeo acquisition, the Company immediately recognized expense of $8.3 million representing the acquired IPR&D that had not yet reached technological feasibility and had no alternative future use. The value assigned to acquired IPR&D was determined by identifying products under research in areas for which technological feasibility had not been established. The IPR&D technology was then segmented into two classifications: (i) IPR&D--completed and (ii) IPR&D--to-be-completed, giving explicit consideration to the value created by research and development efforts of SAI/Redeo prior to the acquisition and to be created by the Company after the acquisition. These value creation efforts were estimated by considering the following major factors: (i) time-based data, (ii) cost-based data, and (iii) complexity-based data.

The value of the IPR&D was determined using a discounted cash flow model similar to the income approach, focusing on the income-producing capabilities of the in-process technologies and taking into consideration (i) the analysis of the stage of completion of each project and (ii) the exclusion of value related to research and development yet-to-be completed as part of the on-going IPR&D projects. Under this approach, the value is determined by estimating the revenue contribution generated by each of the identified products classified within the classification segments. Revenue estimates were based on (i) individual product revenues, (ii) anticipated growth rates, (iii) anticipated product development and introduction schedules, (iv) product sales cycles, and (v) the estimated life of a product's underlying technology.

From the revenue estimates, operating expense estimates, including cost of sales, general and administrative, selling and marketing, income taxes and a use charge for contributory assets, were deducted to arrive at operating income. Revenue growth rates were estimated by management for each product and gave consideration to relevant market sizes and growth factors, expected industry trends, the anticipated nature and timing of new product introductions by us and our competitors, individual product sales cycles, and the estimated life of each product's underlying technology. Operating expense estimates reflect the Company's historical expense ratios. Additionally, these projects will require continued research and development after they have reached a state of technological and commercial feasibility. The resulting operating income stream was discounted to reflect its present value at the date of the acquisition. These estimates are subject to change, given the uncertainties of the development process, and no assurance can be given that deviations from these estimates will not occur or that the Company will realize any anticipated benefits of the acquisition.

The rate used to discount the net cash flows from the purchased IPR&D was 28%, which is equal to the weighted average cost of capital of the Company, taking into account required rates of return from investments in various areas of the enterprise, and reflecting the inherent uncertainties in future revenue estimates from technology investments including the uncertainty surrounding the successful development of the acquired IPR&D, the useful life of such technology, the profitability levels of such technology, if any, and the uncertainty of technological advances, all of which are unknown at this time.

To date, actual revenues attributable to the IPR&D have been lower than the original projections. No assurance can be given that future revenues and operating profit attributable to the purchased IPR&D will not deviate from the projections used to value such technology. Ongoing operations and financial results for acquired businesses, and the Company as a whole, are subject to a variety of factors which may not have been known or estimable at the Valuation Date. To date, actual costs of completing the project and the timing thereof have been consistent with the estimates used in developing the valuation of the purchased IPR&D.

Sales and Marketing, Exclusive of Noncash Expense

Sales and marketing expenses decreased 24.7% to $27.3 million, or 160.5% of total revenues, in 2001 from $36.2 million, or 106.4% of total revenues, in 2000. The decrease was primarily attributable to the reduction of sales and marketing personnel, a decrease in variable compensation as a result of lower license revenue during 2001, and a reduction of promotional activities associated with building market awareness of the Company's e-commerce products. The Company experienced a significant increase in sales and marketing expenses in the fourth quarter of 2000 due in large part to advertising commitments associated with the Company's branding campaign. The Company had an average of 12.6% fewer sales and marketing employees during 2001 compared to the same period in 2000.

Noncash Sales and Marketing Expense

During the years ended December 31, 2001 and 2000, non-cash sales and marketing expenses of approximately $6.7 million and $7.0 million, respectively, were recognized in connection with sales and marketing agreements signed by the Company during the fourth quarter of 1999 and the first quarter of 2000. In connection with these agreements, the Company issued warrants and shares of common stock to certain strategic partners, all of whom are also customers, in exchange for their participation in the Company's sales and marketing efforts. The Company recorded the value of these warrants and common stock as deferred sales and marketing costs, which are being amortized over the life of the agreements which range from nine months to five years. Included in the results for 2001 is $1.4 million of expense recorded in the fourth quarter as a result of terminating the sales and marketing agreement with one customer. The Company anticipates expenses related to sales and marketing agreements to be approximately $98,000 per quarter during 2002.

General and Administrative, Exclusive of Noncash Expense

General and administrative expenses, including the provision for doubtful accounts, decreased 5.1% to $14.9 million in 2001 from $15.7 million in 2000. As a percentage of total revenues, general and administrative expenses increased to 87.7% in 2001 from 46.2% in 2000. Included in general and administrative expenses is a provision for doubtful accounts of $5.5 million and $5.8 million for the years ended December 31, 2001 and 2000, respectively. The decrease in general and administrative expenses was primarily attributable to decreases in personnel related costs and a decrease in the provision for doubtful accounts. The Company had an average of 8.5% fewer general and administrative employees during 2001 compared to the same period in 2000.

Noncash General and Administrative Expense

Noncash general and administrative expenses decreased to approximately $252,000, or 1.5% of total revenues, in 2001 from approximately $1.1 million, or 3.2% of total revenues, in 2000. The decrease was primarily attributable to the Company granting 160,000 options to a senior executive during the first quarter of 2000 at an exercise price below the fair market value at the date of grant. Fifteen percent of these options vested immediately and the remainder vested over four years. The Company immediately expensed $814,500 associated with the intrinsic value of the vested options and recorded the intrinsic value of the unvested options, $4.6 million, as deferred compensation. This arrangement was terminated in the fourth quarter of 2000 and all options except those vesting immediately were forfeited. The Company recognized net compensation expense related to this arrangement of $814,500 during the year ended 2000.

In the third quarter of 2000, the Company granted 18,750 options to a new board member at a price below the fair market value at the date of grant. Deferred compensation of approximately $266,000 was recorded related to this grant and compensation expense of approximately $116,000 was recognized during 2000. The remaining balance of $150,000 was recognized as compensation expense during 2001. The amount expensed during 2001 relates primarily to these options.

Loss on Impairment of Intangible Assets

In the fourth quarter of 2001, the Company recognized an intangible asset impairment loss of $36.8 million related to the write-down of certain intangible assets associated with the acquisition of the SAI/Redeo companies. The Company periodically evaluates the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". During the fourth quarter of 2001, the Company's evaluation of the performance of the SAI/Redeo companies compared to initial projections, negative economic trends and a decline in industry growth rate projections indicated that the carrying value of the intangible exceeded expected cash flows. The $36.8 million write-down was based on the amount by which the carrying amount of these assets exceeded fair value.

Depreciation and Amortization Expense

Depreciation and amortization increased 50.2% to $12.2 million, or 71.8% of total revenues, in 2001, from $8.1 million, or 23.9% of total revenues, in 2000. This increase is primarily the result of the Company's amortization of its intangible assets associated with acquisitions completed in the second quarter of 2000.

Gain on Sale of Assets

On October 18, 1999, the Company sold its human resources and financial software business to Geac Computer Systems, Inc. and Geac Canada Limited. The Company received approximately $13.9 million in proceeds. A gain of $9.4 million was recorded in 1999, with an additional gain of approximately $1.3

million recorded during 2000, following an escrow settlement.

Loss on Impairment of Investments

During the years ended December 31, 2001 and 2000, the Company recorded a loss on impairment of investments of approximately $16.5 million and $4.1 million, respectively. These losses were necessitated by other than temporary losses to the value of investments the Company had made in privately held companies and marketable securities of one publicly traded company. The privately held companies are primarily early-stage companies and are subject to significant risk due to their limited operating history and volatile industry-based economic conditions. As of December 31, 2001, all investments but one have been written off. The remaining investment, valued at $200,000 in the accompanying December 31, 2001 balance sheet, was sold and cash of $200,000 was received during the first quarter of 2002.

Interest Income

Interest income decreased 39.7% to $6.6 million in 2001, or 38.6% of total revenues, from $10.9 million, or 32.0% of total revenues, in 2000. The decrease in interest income was due to lower levels of cash available for investment and lower interest rates. The Company expects to continue to use cash to fund operating losses and, as a result, interest income on available cash is expected to decline in future periods.

Interest Expense and Amortization of Debt Discount

Interest expense decreased 34.5% to $228,000 in 2001 from $348,000 in 2000. This decrease in interest expense is primarily due to higher levels of debt in the first quarter of 2000 as compared to 2001. In March of 2000, the Company entered into a $5.0 million borrowing arrangement with an interest rate of 4.5% with Wachovia Capital Investments, Inc. The interest expense in 2001 is primarily related to this agreement.

In 1999, the Company entered into financing agreements for $7.0 million. In connection with the financing, the Company issued warrants valued at approximately $982,000 using the Black-Scholes option pricing model as debt discount to be amortized over the life of the financing agreement. The entire $7.0 million plus interest was paid prior to the end of the first quarter of 2000. As a result, the entire value of the warrants was amortized as a debt discount in the quarter ended March 31, 2000.

Income Taxes

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded in 2001 or in 2000.

Years Ended December 31, 2000 and 1999

Revenues

Total Revenues. Total revenues decreased 10.7% to $34.0 million in 2000 from $38.1 million in 1999. This decrease is primarily attributable to decreased services fees, as a result of the sale of the Company's ERP business in October 1999, partially offset by increased e-commerce license fees. For the year ended December 31, 2000, one customer accounted for more than 10%, totaling $3.8 million, of total revenue.

E-commerce License Fees. License fees increased 147.6% to $24.7 million, or 72.5% of total e-commerce revenues, in 2000 from $10.0 million, or 86.8% of total e-commerce revenues, in 1999. The increase in e-commerce license fees was the result of an increase in the amount of software licensed. The majority of the Company's e-commerce license revenue for the year ended December 31, 2000 was derived from the licensing of products that became generally available since June 1, 2000.

E-commerce Services Fees. Services fees increased 517.9% to $9.4 million from $1.5 million in 1999, and increased as a percentage of total e-commerce revenues to 27.5% in 2000 from 13.2% in 1999. This increase is primarily attributable to increased demand for the Company's services as a result of the growth in e-commerce license fees.

ERP License Fees. The Company sold its ERP business in October 1999, and as a result, had no ERP license fees during the year ended December 31, 2000. ERP license fees represented $5.1 million, or 34.0% of total license revenues, during the year ended December 31, 1999.

ERP Services Fees. The Company sold its ERP business in October 1999, and as a result, had no ERP services fees during the year ended December 31, 2000. ERP services fees represented $21.5 million, or 93.4% of total services revenues, during the year ended December 31, 1999.

Cost of Revenues

Total Cost of Revenues. Cost of revenues decreased 23.8% to $12.1 million, or 35.5% of total revenues, during the year ended December 31, 2000 from $15.9 million, or 41.6% of total revenues, during the same period in 1999. The decrease both in total and as a percentage of total revenues is primarily a result of the change in mix in revenue from services fees, which historically had a higher cost of revenues, to license fees.

E-commerce Cost of License Fees. Cost of e-commerce license fees decreased to $154,000 in 2000 from $400,000 in 1999. Cost of license fees includes royalties and software duplication and distribution costs. The cost of license fees may vary from period to period depending on the product mix licensed, but are expected to remain a small percentage of license fees.

E-commerce Cost of Services Fees. Cost of e-commerce services fees increased 281.3% to $11.9 million, or 127.5% of total e-commerce services fees, in 2000 compared to $3.1 million, or 206.6% of total e-commerce services fees, in 1999. The increase in the cost of e-commerce services fees was primarily attributable to personnel related costs and consulting fees. The consulting fees related to sub-contracted services was approximately $2.4 million during the year ended December 31, 2000 compared to approximately $127,000 during the year ended December 31, 1999. Although the Company intends to increase the number of services employees, it will continue sub-contracting some consulting and implementation engagements to its system integrator partners. The Company has incurred cost of e-commerce service fees in excess of e-commerce service fees due primarily to the hiring and training of personnel in anticipation of future growth.

ERP Cost of License Fees. The Company sold its ERP business in October 1999, and as a result, had no ERP license fees or cost of ERP license fees during the year ended December 31, 2000. ERP cost of license fees represented $951,000, or 18.5% of ERP license revenues, during the year ended December 31, 1999.

ERP Cost of Services Fees. The Company sold its ERP business in October 1999, and as a result, had no ERP services fees or cost of ERP services fees during the year ended December 31, 2000. ERP cost of services fees represented $11.4 million, or 52.9% of ERP services revenues, during the year ended December 31, 1999.

Research and Development, Exclusive of Noncash Expense

Research and development expenses increased 148.7% to $22.4 million, or 65.8% of total revenues, in 2000 from $9.0 million, or 23.6% of total revenues, in 1999. Research and development expenses increased primarily due to increased personnel related expenses and increased consulting fees incurred to develop the Company's products. Consulting fees increased to approximately $12.3 million during the year ended December 31, 2000 from approximately $605,000 during the year ended December 31, 1999. The Company intends to hire in-house research and development personnel moving forward, but expects increases in personnel related costs to be offset by a decrease in consulting fees.

Noncash Research and Development Expense

Noncash research and development expenses of approximately $424,000 were recognized during 2000. The expense resulted from the Company's agreement with a third party to develop certain software that the Company intends to sell in the future. The agreement required the third party to reach certain milestones related to the software development in order to receive warrants to purchase 50,000 shares of the Company's common stock with an exercise price of $56.78. The third party completed two of the three scheduled milestones in the first quarter of 2000 and they were granted warrants to purchase 33,334 shares of common stock. The value of the warrants earned approximated $424,000 and was computed using the Black-Scholes option pricing model. The third milestone was not reached by the scheduled due date, and as a result, the warrants to purchase the remaining 16,666 shares of common stock were forfeited. Warrants to purchase 33,334 shares remain outstanding at December 31, 2001 and expire in the first quarter of 2003.

In-Process Research and Development Expense

In-Process Research and Development ("IPR&D") expense was approximately $8.3 million for the year ended December 31, 2000. The Company recorded this expense in the second quarter of 2000 related to its acquisition of the SAI/Redeo Companies on May 31, 2000 (the "Valuation Date").

At the Valuation Date, the SAI/Redeo Companies had technology under development that had not demonstrated technological or commercial feasibility. This technology is described below. As of the Valuation Date, the projects associated with the IPR&D efforts have not yet reached technological feasibility and the IPR&D has no alternative future use in the event that the proposed products do not prove to be feasible. These development efforts fall within the definition of IPR&D contained in Statement of Financial Accounting Standards ("SFAS") No. 2.

SAI/Redeo IPR&D. Management believes that the SAI/Redeo product under development is the first settlement product that completes the B2B commerce procurement cycle for the buy side, sell side, and net marketmakers ("NMMs"). The Company's goal is to complete the e-procurement cycle from order fulfillment to settlement automatically and at the lowest possible cost. Planned functional capabilities of the SAI/Redeo product include:

. Payment Type Independence--Multiple payment types are fully supported, including credit card, purchasing card, EFT, direct debit, direct deposit, and traditional check. The process is flexible, allowing trading partners and NMMs to negotiate solutions.

. Deferred/Scheduled Settlement--Transactions may be scheduled for settlement to assure traditional payment terms are retained. Control over settlement may be pre-negotiated or retained by either the customer or the vendor.

. Least Cost Pricing--The portal determines the lowest cost alternative for settlement based on business rules configured between trading partners and the NMMs.

. Multi-currency--Trading partners may settle in any currency with exchange gains, losses and settlement charges recorded in the trading partners respective ERP system.

. Global Coverage--Any bank or service provider around the world may be used for settlement and is not tied to the country where the transaction originated. Settlement integration is performed using EDI or XML standards.

. Financial Institution Integration and Independence--Redeo currently offers integration with over 60 banks around the world, and trading partners and NMMs can change banking and service provider relationships. Also, trading partners can select the settlement institution or service provider at the time of the settlement.

. ERP Integration--Settlement may be integrated with the leading ERP providers, allowing trading partners to have disparate ERP systems within their enterprise and between enterprises.

. Aggregation & Consolidation--Trading partners in the net market may aggregate and net transactions in order to reduce the number of settlement transactions.

. Reconciliation--Transactions and balances may be automatically reconciled between trading partners and NMM's disparate systems. Charge backs and disputes may be automatically recorded and processed.

At the Valuation Date, the technologies were approximately 70.5% complete. The acquired in-process technologies were originally anticipated to become commercially viable in years 2000, 2001, and 2002. Expenditures to complete the acquired in-process technologies were expected to total approximately $3.5 million. The initial development and commercial release of the Company's Settlement product was completed during the third quarter of 2000. The Company is continuing to invest in further development and enhancements of the Settlement product. During the year ended December 31, 2000, 12.8% of the Company's license revenue was derived from licensing the Company's Settlement product.

Valuation of IPR&D: Amounts allocated to IPR&D were calculated using established valuation techniques in the high technology industry and the Company expensed such amounts in the quarter that the acquisition was consummated because technological feasibility had not been achieved and no alternative future uses had been established. Consistent with the Company's policy for internally developed technology, the Company concluded that the IPR&D had no alternative future use after taking into consideration the potential for usage of the technology in different products, resale of the software, and internal usage.

Upon consummation of the SAI/Redeo acquisition, the Company immediately recognized expense of $8.3 million representing the acquired IPR&D that had not yet reached technological feasibility and had no alternative future use. The value assigned to acquired IPR&D was determined by identifying products under research in areas for which technological feasibility had not been established. The IPR&D technology was then segmented into two classifications: (i) IPR&D--completed and (ii) IPR&D--to-be-completed, giving explicit consideration to the value created by research and development efforts of SAI/Redeo prior to the acquisition and to be created by the Company after the acquisition. These value creation efforts were estimated by considering the following major factors: (i) time-based data, (ii) cost-based data, and (iii) complexity-based data.

The value of the IPR&D was determined using a discounted cash flow model similar to the income approach, focusing on the income-producing capabilities of the in-process technologies and taking into consideration (i) the analysis of the stage of completion of each project and (ii) the exclusion of value related to research and development yet-to-be completed as part of the on-going IPR&D projects. Under this approach, the

value is determined by estimating the revenue contribution generated by each of the identified products classified within the classification segments. Revenue estimates were based on (i) individual product revenues, (ii) anticipated growth rates, (iii) anticipated product development and introduction schedules, (iv) product sales cycles, and (v) the estimated life of a product's underlying technology.

From the revenue estimates, operating expense estimates, including cost of sales, general and administrative, selling and marketing, income taxes and a use charge for contributory assets, were deducted to arrive at operating income. Revenue growth rates were estimated by management for each product and gave consideration to relevant market sizes and growth factors, expected industry trends, the anticipated nature and timing of new product introductions by us and our competitors, individual product sales cycles, and the estimated life of each product's underlying technology. Operating expense estimates reflect the Company's historical expense ratios. Additionally, these projects will require continued research and development after they have reached a state of technological and commercial feasibility. The resulting operating income stream was discounted to reflect its present value at the date of the acquisition. These estimates are subject to change, given the uncertainties of the development process, and no assurance can be given that deviations from these estimates will not occur or that the Company will realize any anticipated benefits of the acquisition.

The rate used to discount the net cash flows from the purchased IPR&D was 28%, which is equal to the weighted average cost of capital of the Company, taking into account required rates of return from investments in various areas of the enterprise, and reflecting the inherent uncertainties in future revenue estimates from technology investments including the uncertainty surrounding the successful development of the acquired IPR&D, the useful life of such technology, the profitability levels of such technology, if any, and the uncertainty of technological advances, all of which are unknown at this time.

To date, actual revenues attributable to the IPR&D have been lower than the original projections. No assurance can be given that future revenues and operating profit attributable to the purchased IPR&D will not deviate from the projections used to value such technology. Ongoing operations and financial results for acquired businesses, and the Company as a whole, are subject to a variety of factors which may not have been known or estimable at the Valuation Date. To date, actual costs of completing the project and the timing thereof have been consistent with the estimates used in developing the valuation of the purchased IPR&D.

Sales and Marketing, Exclusive of Noncash Expense

Sales and marketing expenses increased 126.7% to $36.2 million, or 106.4% of total revenues, in 2000 from $16.0 million, or 41.9% of total revenues, in 1999. The increase was primarily attributable to the additional sales and marketing personnel and promotional activities associated with building market awareness of the Company's e-commerce products. The Company experienced a significant increase in sales and marketing expenses in the fourth quarter of 2000 due in large part to advertising commitments associated with the Company's branding campaign.

Noncash Sales and Marketing Expense

During the years ended December 31, 2000 and 1999, noncash sales and marketing expenses of approximately $7.0 million and $1.9 million, respectively, were recognized in connection with sales and marketing agreements signed by the Company during the fourth quarter of 1999 and the first quarter of 2000. In connection with these agreements, the Company issued warrants and shares of common stock to certain strategic partners, all of whom are also customers, in exchange for their participation in the Company's sales and marketing efforts. The Company recorded the value of these warrants and common stock as deferred sales and marketing expenses, which are being amortized over the life of the agreements which range from nine months to five years.

General and Administrative, Exclusive of Noncash Expense

General and administrative expenses, including the provision for doubtful accounts, increased 151.9% to $15.7 million in 2000 from $6.2 million in 1999. As a percentage of total revenues, general and administrative expenses increased to 46.2% in2000 from 16.4% in 1999. The increase in general and administrative expenses was primarily attributable to increases in personnel related costs and an increase in the provision for doubtful accounts to $5.8 million in the year ended December 31, 2000 from $1.2 million in the year ended December 31, 1999. The increase in the provision for doubtful accounts in 2000 relates primarily to a reserve for a single customer of $2.3 million as well as a reserve related to management's concerns for receivables from early-stage companies due to the volatile industry-based economic conditions, especially during the fourth quarter of 2000. The deferred revenue balance at December 31, 2000 related to these early-stage companies was approximately $373,000.

Noncash General and Administrative Expense

Noncash general and administrative expenses increased to approximately $1.1 million, or 3.2% of total revenues, in 2000 from $874,000, or 2.3% of total revenues, in 1999. The increase was primarily attributable to the Company granting 160,000 options to a senior executive during the first quarter of 2000 at an exercise price below the fair market value at the date of grant. Fifteen percent of these options vested immediately and the remainder vested over four years. The Company immediately expensed $814,500 associated with the intrinsic value of the vested options and recorded the intrinsic value of the unvested options, $4.6 million, as deferred compensation. This arrangement was terminated in the fourth quarter of 2000 and all options except those vesting immediately were forfeited. The Company recognized net compensation expense related to this arrangement of $814,500 during the year ended 2000. In the third quarter of 2000, the Company granted 18,750 options to a new board member at a price below the fair market value at the date of grant. Deferred compensation of approximately $266,000 was recorded related to this grant and compensation expense of approximately $116,000 was recognized during 2000. The remaining balance of $150,000 was recognized as compensation expense during 2001.

Depreciation and Amortization Expense

Depreciation and amortization increased 139.2% to $8.1 million, or 23.9% of total revenues, in 2000, from $3.4 million, or 8.9% of total revenues, in 1999. The increase in this expense is primarily the result of the Company's amortization of its intangible assets associated with acquisitions completed in the second quarter of 2000.

Gain on Sale of Assets

On October 18, 1999, the Company sold its human resources and financial software business to Geac Computer Systems, Inc. and Geac Canada Limited. The Company received approximately $13.9 million in proceeds. A gain of $9.4 million was recorded in 1999, with an additional gain of approximately $1.3 million recorded during 2000, following an escrow settlement.

Loss on Impairment of Investments

During the fourth quarter of 2000, the Company recorded a loss on impairment of investments of approximately $4.1 million. The loss was necessitated by other than temporary losses to the value of investments the Company has made in privately held companies. These companies are primarily early-stage companies and are subject to significant risk due to their limited operating history and volatile industry-based economic conditions.

Interest Income

Interest income increased 2,366.5% to $10.9 million in 2000, or 32.0% of total revenues, from $442,000, or 1.2% of total revenues, in 1999. The increase in interest income was due to increased levels of cash available for investment, a direct result of the Company's follow-on offering in March 2000. The Company expects to continue to use cash to fund operating losses and, as a result, interest income on available cash is expected to decline in future periods.

Interest Expense and Amortization of Debt Discount

Interest expense increased 231.4% to $348,000 in 2000 from $105,000 in 1999. This increase is primarily due to higher levels of debt in the first quarter of 2000 as compared to 1999. The increased interest expense was the result of both an interim funding of $7.0 million received in December 1999 and a securities purchase agreement with Wachovia Capital Investments, Inc. signed in March 2000. Interest paid related to the interim funding and the purchase agreement was $165,000 and $182,500, respectively, for the year ended December 31, 2000.

As part of the interim funding agreement, the Company also issued warrants valued at approximately $982,000 using the Black-Scholes option pricing model as debt discount to be amortized over the life of the financing agreement. The entire $7.0 million plus interest was paid prior to the end of the first quarter of 2000. As result, the entire value of the warrants was amortized in the quarter ending March 31, 2000.

Income Taxes

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded in 2000 or in 1999.

Liquidity and Capital Resources

The Company's cash and cash equivalents decreased to $55.6 million at December 31, 2001 from $118.3 million at December 31, 2000. Marketable securities increased to $65.3 million at December 31, 2001 from $50.2 million at December 31, 2000. The overall decrease in cash and cash equivalents and marketable securities is due primarily to cash used in operating activities and investing activities partially offset by cash provided from financing activities.

Cash used in operating activities was approximately $42.4 million during 2001. The cash used was primarily attributable to the Company's net loss and to decreases in accounts payable and accrued liabilities partially offset by noncash items and an increase in deferred revenue. Cash used in operating activities was approximately $50.8 million during 2000. This was primarily attributable to the Company's net loss and an increase in accounts receivable partially offset by noncash items and increases in accounts payable and accrued liabilities.

Cash used for investing activities was approximately $20.8 million during 2001. The cash was used for purchases of investments, marketable securities, and property and equipment partially offset by the sale and maturity of marketable securities. Cash used by investing activities was approximately $90.5 million during 2000. The cash was used for acquisitions, purchases of investments, marketable securities and property and equipment. The cash used for investing activities was partially offset by the sale and maturity of marketable securities and proceeds related to the sale of ERP assets of approximately $1.9 million.

Cash provided by financing activities was approximately $458,000 during 2001, and approximately $245.5 million during 2000. The cash provided by financing activities during 2001 was primarily attributable to proceeds from shares issued under the employee stock purchase plan and stock option exercises. The cash provided by financing activities during 2000 was primarily attributable to proceeds from the sale of 2,243,000 shares of common stock for approximately $244.4 million and the issuance of long-term debt of $5.0 million, which was partially offset by the repayment of $7.0 million in interim funding provided by Transamerica Business Credit Corp., Silicon Valley Bank and Sand Hill Capital II, L.P.

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. As of December 31, 2001, four customers accounted for more than 10% each, totaling $1.7 million or 53.2% of the gross accounts receivable balance on that date. The percentage of total accounts receivable due from these four customers was 15.8%, 13.9%, 12.6% and 10.9%, respectively, at December 31, 2001. As of December 31, 2000, four customers accounted for more than 10% each, totaling $6.7 million or 56.0% of the gross accounts receivable balance on that date. The percentage of total accounts receivable due from these four customers was 19.9%, 14.5%, 11.2% and 10.4%, respectively, at December 31, 2000.

During the year ended December 31, 2001, three customers accounted for more than 10% each, totaling $6.1 million, or 35.7% of total revenue. The percentage of total revenue recognized from these three customers was 12.6%, 11.6% and 11.5%, respectively. During the year ended December 31, 2000, one customer accounted for more than 10%, totaling $3.8 million, or 11.3% of total revenue. During 1999 no customer accounted for more than 10% of total revenue.

During the second quarter of 2001, the Company made an equity investment of $2.0 million in a privately held strategic partner. Prior to 2001, the Company made equity investments of $17.7 million in eleven privately held companies. The Company's equity interest in these entities ranges from 2.5% to 12.5% and the Company is accounting for these investments using the cost method of accounting. During 2001 and 2000 the Company recorded charges of $15.4 million and $4.1 million, respectively, for other than temporary losses on these investments. These companies are primarily early-stage companies and are subject to significant risk due to their limited operating history and current economic and capital market conditions. The Company has not recognized any material revenue from these companies during 2001. During the years ended December 31, 2000 and 1999, the Company recognized $16.0 million and $3.1

million, respectively, in total revenue from these companies.

On August 15, 2001, the Company granted options to purchase 150,000 shares of common stock to a senior executive with an exercise price equal to the fair market value at the date of grant. These options are designated as nonqualified options and will expire if not exercised in full before August 14, 2011. Twenty-five percent of the shares subject to the option shall vest on the first anniversary of the date of grant and the remaining portion of the option shall vest in equal monthly installments for 36 months beginning on August 15, 2002.

On March 10, 2000, the Company completed a follow-on offering of 2,243,000 shares of common stock at an offering price of $115.00 per share. The proceeds, net of expenses, from this public offering of approximately $244.4 million were placed in investment grade cash equivalents and marketable securities.

On March 14, 2000, the Company entered into a securities purchase agreement with Wachovia Capital Investments, Inc. Wachovia purchased a 4.5% convertible subordinated promissory note (the "Note") in the original principal amount of $5.0 million. The Note provides for the ability of the holder to convert, at its option, all or any portion of the principal of the Note into common stock of the Company at the price of $147.20 per share. If at any time after the date of the Note, the quoted price per share of the Company's common stock exceeds 200% of the conversion price then in effect for at least twenty trading days in any period of thirty consecutive trading days, the Company has the right to require that the holder of the Note convert all of the principal of the Note into common stock of the Company at the price of $147.20 per share. The Note is due March 15, 2005 and the $5.0 million principal amount was placed in investment grade cash equivalents.

On April 28, 2000, the Company acquired all of the capital stock of iSold.com, Inc., a Delaware corporation ("iSold"). iSold has developed a software program that provides auctioning capabilities to its clients. The purchase consideration was approximately $2.5 million in cash of which $1.6 million was paid at the date of acquisition and $900,000 was accrued at the date of acquisition and paid in April 2001. The acquisition was treated as a purchase for accounting purposes with approximately $500,000 of the purchase consideration allocated to developed technologies and approximately $2.0 million to goodwill. The developed technologies are being amortized over 3 years and the goodwill is being amortized over 4 years.

On May 31, 2000, the Company acquired all of the outstanding capital stock of SAI (Ireland) Limited, SAI Recruitment Limited and its subsidiaries and related companies, i2Mobile.com Limited and SAI America Limited (the "SAI/Redeo Companies"). The SAI/Redeo Companies specialize in electronic payment settlement. The purchase consideration was approximately $63.2 million, consisting of approximately $30.0 million in cash (exclusive of $350,000 of cash acquired), 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black- Scholes option pricing model) and approximately $995,000 in acquisition costs.

At December 31, 2001, the Company has net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of approximately $98.7 million, $1.1 million and $53,000, respectively, which expire in varying amounts beginning in the year 2009. The Company also has incurred foreign losses in the amount of approximately U.S.$16.0 million that are available to offset future taxable income in foreign jurisdictions. The Company's ability to benefit from certain net operating loss carryforwards is limited under section 382 of the Internal Revenue Code as the Company is deemed to have had an ownership change of greater than 50%. Accordingly, certain net operating losses may not be realizable in future years due to this limitation.

During the first six months of 2000, the Company issued 25,000 warrants and approximately 39,000 shares of the Company's common stock to certain strategic partners, all of whom are also customers, in exchange for their participation in the Company's sales and marketing efforts. The sales and marketing agreement signed with one strategic partner also included an obligation to make cash payments of $300,000 in each of the last two years of the related agreement. The Company recorded the fair value of these warrants, common stock, and cash payments as deferred sales and marketing costs of approximately $454,000, $3.8 million, and $600,000, respectively. Deferred sales and marketing costs will be amortized over the term of the sales and marketing agreements, which range from nine months to five years.

During the fourth quarter of 2001, the sales and marketing agreement with one customer was terminated requiring a charge of $1.4 million to write-off the remaining balance in deferred sales and marketing costs. Also, as a result of the termination, the Company is no longer obligated to make cash payments of $300,000 for each of the last two years of the related agreement.

Although operating activities may provide cash in certain periods, to the extent the Company incurs continuing operating losses or experiences growth in the future, the Company's operating and investing activities will use significant amounts of cash. The Company currently estimates uses of cash in 2002 to fund operating losses and to a lesser extent for purchases of property and equipment. The actual use of cash in operations during 2002 will be impacted dramatically by any fluctuations in projected revenue as the Company's operating expenses are relatively fixed in the short term. The Company currently believes that existing cash and cash equivalents and marketable securities will be sufficient to meet operating and investing needs during 2002 and thereafter until the Company achieves break-even cash flow.

The following summarizes the Company's contractual obligations and commercial commitments at December 31, 2001, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

(in thousands)

	Total	2002	2003	2004	2005	2006	Thereafter
Long-term debt..	$ 5,000	$ --	$ --	$ --	$5,000	$ --	$ --
Operating leases	8,098	2,022	1,774	1,803	1,802	644	53
Total...........	$13,098	$2,022	$1,774	$1,803	$6,802	$644	$ 53

The Company does not have commercial commitments under capital leases, lines of credit, standby lines of credit, guaranties, standby repurchase obligations or other such arrangements.

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

Related Party Transactions

On November 1, 2001, the Company engaged E.Com Consulting to perform market research and provide recommendations concerning the needs and opportunities associated with the Company's settlement product. E.Com Consulting subcontracted with e-RM International, Inc. ("e-RMI") to assist with a portion of this project. e-RMI is a Delaware corporation whose sole shareholder is Chrismark Enterprises LLC. Chrismark Enterprises LLC is owned by Mark Johnson, a director of the Company, and his wife. The contract period of the engagement was November 1, 2001 through January 31, 2002 for which the Company agreed to pay total professional fees of $50,000 plus out-of-pocket expenses. Of this amount $7,805 was paid to e-RMI. The Company expensed a total of $42,164 in connection with this engagement during 2001 that is included in general and administrative expense in the accompanying consolidated statement of operations and had a balance due E.Com of $34,359 at December 31, 2001 that is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet. The remaining amounts due under the agreement will be expensed and paid in 2002.

On February 7, 2002 Todd Hewlin joined the Company's board of directors. Mr. Hewlin is a managing director of The Chasm Group, LLC, a consultancy organization focusing on helping technology companies develop and implement strategies that create and sustain market leadership positions for their core products while building shareholder value and a sustainable competitive advantage. During 2001, the Company engaged The Chasm Group to assist the Company on various strategic and organizational issues. The contract period of the engagement was November 15, 2001 through February 15, 2002 for which the Company agreed to professional fees of $225,000 plus out-of-pocket expenses. The Company expensed a total of $131,000 during 2001 that is included in general and administrative in the accompanying consolidated statement of operations and had a balance due The Chasm Group of $94,000 at December 31, 2001 that is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet. The remaining amounts due under the agreement will be expensed and paid in 2002.

During 1998, the Company engaged in a number of transactions with McCall Consulting Group, Inc. ("McCall Consulting Group") and Technology Ventures, L.L.C. ("Technology Ventures"), entities controlled by Joseph S. McCall, a former shareholder and director of the Company. In February 1998, the Company entered into an agreement with Mr. McCall whereby he resigned as the Company's chief executive officer and as chairman, chief executive officer, and manager of a services subsidiary of the Company. Mr. McCall remained an employee of the Company until the completion of the Company's initial public offering in May 1998, at which time he became a consultant to the Company for a period of one year pursuant to the terms of an independent contractor agreement. In recognition of past services to the Company, and resignations of certain positions noted above, the Company paid to Mr. McCall a lump sum of $225,000 on June 30, 1998, and also agreed to pay Mr. McCall severance of $75,000 payable over a one-year period. For his consulting services, the Company paid Mr. McCall the sum of $125,000 over the one-year period from the date of the initial public offering, with the ability to earn an additional $100,000 in incentive compensation if certain revenue targets were met by the Company. The Company paid $124,000 to Mr. McCall under this consulting agreement during the year ended December 31, 1999. No payments were made to Mr. McCall in 2000 or 2001.

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

Risk Factors

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. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements.

The softening demand for business-to-business software and related services could negatively affect our business, operating results, liquidity, financial condition, and stock price.

Our revenue growth and operating results depend significantly on the overall demand for technological goods and services, and in particular, demand for business-to-business software and services. Softening demand for these products and services caused by ongoing economic uncertainty may contribute to lower revenues. Continued delays or reductions in technology spending could have a material adverse effect on demand for our products and services, and consequently our business, operating results, liquidity, financial condition, and stock price.

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

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

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

Our settlement platform is a new technology product in an evolving market.

Our settlement product is a technology that is currently being marketed to early-adopting customers. We have limited experience in marketing this product. If the market for the settlement product fails to completely develop or develops more slowly than we anticipate, our business, operating results, liquidity and financial condition could be materially and adversely affected.

Our quarterly operations are volatile and difficult to predict. If we fail to meet the expectations of public market analysts or investors, the market price of our common stock may decrease significantly.

We believe that our quarterly and annual operating results will fluctuate significantly in the future, and our results of operations may fall below the expectations of securities analysts and investors. If this occurs or if market analysts perceive that it will occur, the market price of our common stock could decrease substantially. Recently, when the market price of a security has been volatile, holders of that security have often instituted securities class action lawsuits against the company that issued the security. We have been the subject of such lawsuits. These lawsuits divert the time and attention of our management and an adverse judgment could cause our financial condition or operating results to suffer.

Because the percentage of our revenues represented by maintenance services and other recurring forms of revenue is smaller than that of many software companies with a longer history of operations, we do not have a significant recurring revenue stream that could lessen the effect of quarterly fluctuations in operating results. Many factors may cause significant fluctuations in our quarterly and annual operating results, including:

- changes in the demand for our products;
- the timing, composition and size of orders from our customers;
- customer spending patterns and budgetary resources;
- our success in generating new customers;
- the timing of introductions or enhancements to our products;
- changes in our pricing policies or those of our competitors;

- our ability to anticipate and adapt effectively to developing markets and rapidly changing technologies;

- our ability to attract, retain and motivate qualified personnel, particularly within our sales and marketing and research and development organizations;

- the publication of opinions or reports about us, our products, our competitors or their products;

- unforeseen events affecting business-to-business e-commerce;

- changes in general economic conditions;

- bad debt write-offs;

- impairment of intangibles;

- impairment of strategic investments;

- actions taken by our competitors, including new product introductions and enhancements;

- restructuring of our operations and related charges;

- our ability to scale our network and operations to support large numbers of customers, suppliers and transactions;

- our success in maintaining and enhancing existing relationships and developing new relationships with strategic partners, including application service providers, systems integrators, resellers and other partners; and

- our ability to control costs.

Our quarterly revenues are especially subject to fluctuation because they can depend on the sale of relatively large orders for our products and related services. As a result, our quarterly operating results may fluctuate significantly if we are unable to complete one or more substantial sales in a given quarter.

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

Our stock price is highly volatile.

Our stock price has fluctuated dramatically. The market price of our common stock may decrease significantly in the future in response to the following factors, some of which are beyond our control:

- Variations in our quarterly operating results;

- Announcements that our revenue or income are below analysts' expectations;

- Changes in analysts' estimates of our performance or industry performance;

- Changes in market valuations of similar companies;

- Sales of large blocks of our common stock;

- Announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- Loss of a major customer or failure to complete significant license transactions;

- Additions or departures of key personnel; and

- Fluctuations in stock market price and volume, which are particularly common among highly volatile securities of software and Internet-based companies.

We may not effectively implement our business strategy.

Our future performance will depend in part on successfully developing, introducing and gaining market acceptance of our products. On October 18, 1999, we sold substantially all of the assets of our financial and human resources software business to Geac Computer Systems, Inc. and Geac Canada Limited. Our financial and human resources software business had historically been our primary business. We began marketing our Clarus eProcurement solution in the second quarter of 1998. We added Clarus eMarket and Clarus Auctions to our product line in the second quarter of 2000, and introduced Clarus Settlement in the third quarter of 2000. If we do not successfully implement our business-to-business e-commerce growth strategy, our business will suffer materially and adversely.

We may be required to defer recognition of license fee revenue for a significant period of time after entering into a license agreement, which could negatively impact our financial results.

We may be required to defer recognition of license fee revenue for a significant period of time after entering into a license agreement for a variety of transactions, including:

- transactions that include both currently available software products and products that are under development or other undeliverable elements;

- transactions where the customers demand services that include signficant modifications or customizations that could delay product delivery or acceptance;

- transactions that involve acceptance criteria that may preclude revenue recognition or if there are identified product-related issues, such as performance issues; and

- transactions that involve payment terms or fees that depend on contingencies.

Generally accepted accounting principles ("GAAP") for software revenue recognition requires that our license agreements meet specific criteria in order to recognize revenue when we initially deliver software. Although we have standard form license agreements that meet the GAAP criteria for immediate revenue recognition on delivered elements, we do on some occasions negotiate the terms of our license agreements. Some of these negotiated agreements may not meet the GAAP criteria for immediate software revenue recogntion on delivered elements.

Although our business model allows for time-based license agreements, we continue to record some of our license fee revenue upon software delivery. The deferral of license fee revenue recognition on these agreements could have an adverse effect on our financial results.

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

We have incurred significant net losses in each year since our formation. In addition, we have incurred significant costs to develop our e-commerce technology and products, and to recruit and train personnel. We believe our success is contingent upon increasing our customer base and investing in the further development of our products and services. This will require significant expenditures in research and development, sales and marketing, services, and support infrastructure. As a result, we will need to generate significant revenues to achieve and maintain profitability in the future. We cannot be certain that we will ever achieve such growth in the future.

If our flexible payment options are not well received, the market may adopt our products at a slower rate than anticipated, and our business may suffer materially.

We offer flexible payment methods to our customers. These programs are unproven and represents a significant departure from the fee-based software licensing strategies that our competitors and we have traditionally employed. If we do not successfully execute these programs the market may adopt our products at a slower rate than anticipated, and our business may suffer materially.

We expect to evolve to our business model over time. The adoption rate of our flexible payment options may, from quarter to quarter, fluctuate or be rejected by the market altogether. As we continue this program, we may find that the majority of our revenues continue to come from traditional revenue recognition license arrangements that result in revenues being recognized upon delivery. If the results of our flexible payment options program fluctuate due to uneven adoption rates or if our program is rejected entirely, our business, results of operations, liquidity and financial condition would be materially and adversely affected.

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

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

We may not be able to maintain referenceable accounts.

The implementation of our product suite by buying organizations can be complex, time consuming and expensive. In many cases, these organizations must change established business practices and conduct business in new ways. Our ability to attract additional customers for our product suite will depend on using our existing customers as referenceable accounts. As a result, our solutions may not achieve significant market acceptance. In addition, current customers are subject to the effects of being acquired, which may jeopardize their use of our products and referencability in the future.

We may not realize the entire value of our sales and marketing agreements with certain customers.

During the fourth quarter of 1999 and the first quarter of 2000, we issued warrants and shares of common stock to certain strategic partners, all of whom are also customers, in exchange for their participation in our sales and marketing efforts. We recorded the value of these warrants and common stock as deferred sales and marketing costs, to be amortized over the life of the agreements which range from nine months to five years. If these strategic partners discontinue being referenceable customers or in our judgment these assets become impaired, we will be required to write-off these assets. As a result of terminating the sales and marketing agreement with one customer we recorded a write-off of $1.4 million related to these assets in the fourth quarter of 2001.

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

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

We rely exclusively on third-party content services providers to provide catalog aggregation and management services to our customers, as part of our procurement solution. If we are unable to maintain effective, long-term relationships with our content services providers, or if their services do not meet our customers' needs or expectations, our business could be seriously harmed. If the demand for our solutions increase, we will need to develop relationships with additional third-party service providers to provide these types of services. Our competitors have or may develop relationships with these third parties and, as a result, these third parties may be more likely to recommend competitors' products and services rather than ours.

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

We rely on strategic selling relationships with our partners.

We have established strategic selling relationships with a number of outside companies. Some of these strategic selling partners may not be able to generate a sufficient level of sales to justify continuing their relationship with us.

Much of our sales growth and future success is expected to come from our channel partners. While we expect to invest in these relationships including sales training, product integration and joint selling, we cannot predict the channel partner's commitment or level of success. Additionally the timetable for productivity of any channel partner may vary based on many factors out of our control. We expect that the development of most relationships will take three to six months, although we cannot be assured of this timetable or if these relationships will ever deliver any results. Should our channel relationships prove unproductive or take longer to deliver results, our financial results and path to profitability could suffer serious adverse consequences.

Our success depends on our continuing ability to attract, hire, train and retain a substantial number of highly skilled managerial, technical, sales, marketing and customer support personnel.

We have reduced our headcount in 2001 based on our current expectations of future revenue growth, and as part of our cost reduction initiatives. These reductions may make it more difficult for us to attract, hire and retain the personnel we need. If we are unable to hire or fail to retain competent personnel, our business, results of operations, liquidity and financial condition could be materially and adversely affected. We do not maintain key-man life insurance policies on any of our employees.

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

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

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

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

- currency exchange rate fluctuations;
- seasonal fluctuations in purchasing patterns;
- unexpected changes in regulatory requirements;
- tariffs, export controls and other trade barriers;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations;
- potentially adverse tax consequences, including restrictions on the repatriation of earnings;
- increased transaction costs related to sales transactions conducted outside the U.S.;
- reduced protection of intellectual property rights and increased risk of piracy;
- challenges of retaining and maintaining strategic relationships with customers and business alliances in international markets;
- foreign laws and courts may govern many of the agreements with customers and resellers;
- difficulties in maintaining knowledgeable sales representatives in countries outside the U.S.;
- adequacy of local infrastructures outside the U.S.;
- differing technology standards, translations, and localization standards;
- uncertain demand for electronic commerce;
- linguistic and cultural differences;
- the burdens of complying with a wide variety of foreign laws; and
- political, social, and economic instability.

We have limited experience in marketing, selling and supporting our products and services in foreign countries.

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

We may not be able to recover the carrying value of our intangibles.

Through December 31, 2001, we periodically assessed the impairment of long-lived assets, including identifiable intangibles and related goodwill, in accordance with the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Assets to be Disposed Of ". An impairment review is performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As a result of this assessment we incurred impairment charges in the fourth quarter of 2001.We can give no assurance that additional future impairment charges will not be required due to factors we consider important including, but not limited to, significant underperformance relative to historical or projected operating results, significant changes in the manner of use of the acquired assets and significant negative industry or economic trends.

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

As part of our business strategy, we may seek to acquire or invest in additional businesses, products or technologies that may complement or expand our business. If we identify an appropriate acquisition opportunity, we may not be able to negotiate the terms of that acquisition successfully, finance it, or integrate it into our existing business and operations. We have completed only three acquisitions to date. We may not be able to select, manage or absorb any future acquisitions successfully, particularly acquisitions of large companies. Further, the negotiation of potential acquisitions, as well as the integration of an acquired business, would divert management time and other resources. We may use a substantial portion of our available cash to make an acquisition. On the other hand, if we make acquisitions through an exchange of our securities, our stockholders could suffer dilution. In addition, any particular acquisition, even if successfully completed, may not ultimately benefit our business.

We may not achieve anticipated benefits of prior acquisitions.

The accounting treatment for our acquisition of the SAI/Redeo companies negatively impacted our results of operations in the second quarter of 2000. We recognized a write-off of acquired in-process research and development and amortization expense related to this acquisition. Amortization of this acquisition will adversely affect our results of operations through 2008. The amounts allocated under purchase accounting to developed technology and in-process research and development in the acquisition involved valuation estimations of future revenues, expenses, operating profit, and cash flows. The actual revenues, expenses, operating profits, and cash flows from the acquired technology recognized in the future may vary materially from such estimates. If we do not continue to develop and enhance the acquired technology, if the market for this technology changes, or if actual revenues are lower than estimated, the net realizable value of our intangibles may be less than the carrying value requiring us to incur an impairment charge to appropriately reflect the value of the intangibles. In the fourth quarter of 2001, we recognized an intangible asset impairment loss of $36.8 million related to the write-down of certain intangible assets associated with the acquisition of the SAI/Redeo companies based on the amount by which the carrying amount of these assets exceeded fair value.

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

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

Our estimate of costs associated with our restructuring and related activities may not be adequate.

During 2001, our management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $4.2 million were expensed during 2001 to better align our cost structure with projected revenue. These charges were comprised of employee separation related costs and facility closure and consolidation costs. If the estimates and assumptions used in the restructuring plan prove to be incorrect we may incur additional costs related to these activities.

Our products may perform inadequately in a high volume environment.

Any failure by our principal products to perform adequately in a high volume environment could materially and adversely affect the market for these products and our business, results of operations, liquidity and financial condition. Our products and the third party software and hardware on which it may depend may not operate as designed when deployed in high volume environments.

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

We could lose revenues as a result of software errors or other product defects. As a result of their complexity, software products may contain undetected errors or failures when first introduced or as new versions are released. Despite our testing of our software products and their use by current customers, errors may appear in new applications after commercial shipping begins. If we discover errors, we may not be able to correct them.

Errors and failures in our products could result in the loss of customers and market share or delay in market adoption of our applications, and alleviating these errors and failures could require us to expend significant capital and other resources. The consequences of these errors and failures could materially and adversely affect our business, results of operations, liquidity and financial condition. Because we do not maintain product liability insurance, a product liability claim could materially and adversely affect our business, results of operations, liquidity and financial condition. Provisions in our license agreements may not effectively protect us from product liability claims.

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

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

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

The market for Internet-based procurement applications, and e-commerce technology generally, is rapidly evolving and intensely competitive. The intensity of competition has increased and is expected to further increase in the future. We may not compete effectively in our current market or new markets we develop or enter. Competitive pressure may result in our reducing the price of our products, which would negatively affect our revenues and operating margins. Our competitors vary in size and in the scope and breath of the products and services they offer. If we are unable to compete effectively in our markets, our business, results of operations, liquidity and financial condition would be materially and adversely affected.

In the e-commerce market, we must compete with electronic procurement providers such as Ariba and Commerce One. We also encounter competition with respect to different aspects of our solution from companies such as VerticalNet, PurchasePro, FreeMarkets, and i2. We also face competition from some of the large enterprise software developers, such as Oracle, PeopleSoft and SAP.

In addition, because there are relatively low barriers to entry in the business-to-business exchange market, we expect additional competition from other established and emerging companies, particularly if they acquire one of our competitors. We are entering into new and developing markets and we expect to face competition as these markets develop.

Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, significantly greater name recognition, and a larger installed base of customers than we do. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of our industry. In the past, we have lost potential customers to competitors for various reasons, including lower prices and incentives not matched by us. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with their parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. We also expect that competition will increase as a result of industry consolidations.

We may not be able to compete successfully against our current and future competitors.

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

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

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

Our success will depend significantly on internally developed proprietary intellectual property and intellectual property licensed from others. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as on confidentiality procedures and licensing arrangements, to establish and protect our proprietary rights in our products. Existing patent, trade secret and copyright laws provide only limited protection of our proprietary rights. We have applied for registration of our trademarks. We enter into license agreements with our customers that give the customer the non-exclusive right to use the object code version of our products. These license agreements prohibit the customer from disclosing object code to third parties or reverse-engineering our products and disclosing our confidential information. Despite our efforts to protect our products' proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Third parties may also independently develop products similar to ours.

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

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

Any claim that our products infringe on the intellectual property rights of others could materially and adversely affect our business, results of operations, liquidity and financial condition. Because knowledge of a third party's patent rights is not required for a determination of patent infringement and because the United States Patent and Trademark Office is issuing new patents on an ongoing basis, infringement claims against us are a continuing risk. Infringement claims against us could cause product release delays, require us to redesign our products or require us to enter into royalty or license agreements. These agreements may be unavailable on acceptable terms. Litigation, regardless of the outcome, could result in substantial cost, divert management attention and delay or reduce customer purchases. Claims of infringement are becoming increasingly common as

the software industry matures and as courts apply expanded legal protections to software products. Third parties may assert infringement claims against us regarding our proprietary technology and intellectual property licensed from others. Generally, third-party software licensors indemnify us from claims of infringement. However, licensors may be unable to indemnify us fully for such claims, if at all.

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

- pay licensing fees or royalties to continue selling the product;

- incur substantial expense to modify the product so that the third party's patent or other intellectual property rights no longer apply to the product; or

- stop selling the product.

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

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

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

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

The market for e-commerce applications is characterized by rapid technological change, frequent introductions of new and enhanced products and changes in customer demands. In attempting to satisfy this market's demands, we may incur substantial costs that may not result in increased revenues due to the short life cycles for business-to-business e-commerce solutions. Because of the potentially rapid changes in the e-commerce applications market, the life cycle of our products is difficult to estimate.

Products, capabilities or technologies others develop may render our products or technologies obsolete or noncompetitive and shorten the life cycles of our products. Satisfying the increasingly sophisticated needs of our customers requires developing and introducing enhancements to our products and technologies in a timely manner that keeps pace with technological developments, emerging industry standards and customer requirements while keeping our products priced competitively. Our failure to develop and introduce new or enhanced e-commerce products that compete with other available products could materially and adversely affect our business, results of operations, liquidity and financial condition.

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

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

Foreign governmental regulations could also materially and adversely affect our business. For example, the European Union has enacted the European Data Privacy Directive, which relates to the protection and processing of certain types of personal data. Under the directive, personal data about citizens of European Union member states may not be transferred outside the European Union unless certain specified conditions are met. In addition, persons whose personal data is collected within the European Union are guaranteed certain rights, including the right to access and obtain information about their data and to object to certain forms of processing of their data. The directive therefore affects all companies that collect, process, or transfer personal data in the European Union or receive personal data from the European Union. Other countries outside the European Union have also recently enacted similar laws regulating the transmission of private data, including, without limitation, Argentina, Australia, Hong Kong, Poland and Switzerland. The potential effect of the European Union directive and other foreign data privacy regulations on our business is uncertain. These laws could create uncertainty in the marketplace that could reduce demand for our software or increase the cost of doing business as a result of litigation costs or increased service delivery costs, or could in some other manner have a material and adverse effect on our business, results of operations, liquidity and financial condition.

In addition, because our services are accessible worldwide, and we facilitate sales of goods to users worldwide, other jurisdictions may claim that we are required to qualify to do business as a foreign corporation in a particular state or foreign country. Our failure to qualify as a foreign corporation in a jurisdiction could subject us to taxes and penalties and could result in our inability to enforce contracts in such jurisdictions. Any such new legislation or regulation or the application of laws or regulations from jurisdictions whose laws do not currently apply to our business, could have a material and adverse effect on our business, results of operations, liquidity and financial condition.

Security risks may affect the use of the Internet in electronic commerce.

The secure transmission of confidential information over public networks is necessary to the conduct of electronic commerce. Advances in cryptography and other computer capabilities, however, could result in compromises or breaches of our security systems or the security systems of other Web sites. If a particularly well-published compromise of security were to occur, the use of the Web for communications and commerce could be substantially affected.

Anyone circumventing our security measures could potentially misappropriate proprietary information or cause interruptions in our operations. Because the Internet is a public network, computer viruses could be introduced to our system or those of our customers or suppliers, thereby disrupting our operational network and making our services inaccessible. In the event our security measures ever failed, our business and financial condition would be substantially harmed. Furthermore, we may be required to expend substantial capital and other resources in order to protect against security breaches and interruptions and in order to keep our security system up-to-date.

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

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

Future taxation could harm our business and Internet commerce generally.

We file tax returns in such states as required by law based on principles applicable to traditional businesses. We do not collect sales or similar taxes in respect of transactions conducted through our software products or trading communications created with our products. However, one or more states could seek to impose additional income tax obligations or sales tax collection obligations on out-of-state companies engaging in or facilitating online commerce. A number of proposals have been made at state and local levels that could impose such taxes on the sale of products and services through the Internet or the income derived from such sales. Such proposals, if adopted, could substantially impair the growth of electronic commerce and reduce the demand for our electronic commerce products and digital marketplaces in general.

Legislation limiting the ability of the states to impose taxes on Internet-based transactions was enacted by the United States Congress. This legislation was recently extended through November 1, 2003 as a result of the Internet Tax Non-discrimination Act, signed on November 28, 2001. If the moratorium is not renewed after November 1, 2003, any such taxes could adversely affect our ability to license our electronic commerce products.

New Accounting Pronouncements

At the November 2001 Emerging Issues Task Force ("EITF") meeting, the FASB released Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred". The FASB Staff Announcement clarified interpretations of EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent", stating that the Staff believes that reimbursements received for out-of-pocket expenses should be characterized as revenue. Historically the Company has not reflected such reimbursements as revenue in its consolidated statements of operations. The largest expenses, for which the Company is reimbursed by clients, are travel related charges. The FASB Staff Announcement requires adoption in financial reporting periods beginning after December 15, 2001. Upon adoption of this FASB Staff Announcement, comparative financial statements for prior periods will be reclassified to provide consistent presentation. The Company does not expect the new FASB Staff Announcement to have any impact on its financial position or results of operations. However, the Company's services fees revenue and cost of services fees revenue will increase by an equal amount as a result of the gross-up of revenues and expenses for reimbursable expenses. The following table shows the expected impact of adopting the Staff Announcement on services fees revenue and cost of services fees revenue for the years ended 2001 and 2000:

<TABLE>

<CAPTION>

	2001	2000
	(in thousands)	
<S>	<C>	<C>
As reported		
Services fees revenue........	$ 9,198	$ 9,361
Cost of services fees revenue	12,253	11,935
After reclassification		
Services fees revenue........	9,866	10,327
Cost of services fees revenue	12,921	12,901

</TABLE>

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Assets to Be Disposed Of". The Company is required to adopt SFAS 144 effective January 1, 2002. The adoption of SFAS 144 is not expected to have a material impact on the Company's financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 will also require that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values.

The Company is required to adopt the provisions of SFAS 141 immediately and SFAS 142 effective January 1, 2002. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before SFAS 142 is adopted in full will not be amortized, but will continue to be evaluated for impairment in accordance with the accounting literature in effect prior to the issuance of SFAS 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS 142.

At December 31, 2001, the Company's unamortized goodwill and intangibles totaled $10.8 million. Amortization expense related to goodwill was $7.6 million and $5.8 million for the years ended December 31, 2001 and 2000, respectively. Upon adoption, the Company tested goodwill for impairment according to the provisions of SFAS 142, which resulted in no impairment required as a cumulative effect of accounting change. The Company anticipates amortization related to intangibles with definitive lives to be approximately $863,000 during 2002.

In September 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement was amended in June 2000 by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". The Company adopted these new pronouncements in January of 2001. The new Statements require all derivatives to be recorded on the balance sheet at fair value and establish accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. The Company has no derivatives and the adoption of these pronouncements did not have any impact on the Company's results of operations or financial position.

Quarterly Data

The following represents quarterly data for the years ended December 31, 2001 and 2000 (in thousands, except per share data):

<TABLE>
<CAPTION>

2001

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues...........	$ 4,572	$ 5,993	$ 3,024	$ 3,416
Operating loss.....	(22,021)	(19,111)	(15,637)	(53,080)
Net loss...........	(22,761)	(20,787)	(16,897)	(59,408)
Net loss per share:				
Basic.............	(1.47)	(1.34)	(1.09)	(3.82)
Diluted...........	(1.47)	(1.34)	(1.09)	(3.82)

</TABLE>

<TABLE>
<CAPTION>

	2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues...........	$ 7,006	$ 10,085	$ 13,543	$ 3,413
Operating loss.....	(11,261)	(20,968)	(16,860)	(28,249)
Net loss...........	(11,431)	(16,903)	(13,616)	(28,697)
Net loss per share:				
Basic.............	(0.93)	(1.16)	(0.89)	(1.85)
Diluted...........	(0.93)	(1.16)	(0.89)	(1.85)

</TABLE>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

Substantially all of the revenue recognized to date by the Company has been denominated in U.S. dollars, including sales made internationally. As a result, a strengthening of the U.S. dollar could make the Company's products less competitive in foreign markets. In addition, the Company has foreign subsidiaries which subject the Company to risks associated with foreign currency exchange rates and weak economic conditions in these foreign markets. An increase or decrease in foreign currency exchange rates of 10% would not have a material effect on the Company's financial position or results of operations.

Interest Rate Risk

The Company is exposed to market risk from changes in interest rates primarily through its investing activities. The primary objective of the Company's investment activities is to manage interest rate exposure by investing in short-term, highly liquid investments. As a result of this strategy, the Company believes that there is very little exposure. The Company's investments are carried at market value, which approximates cost. An increase or decrease in interest rates of 10% would not have a material effect on the Company's financial position or results of operations.

Investments

During the second quarter of 2001, the Company made an equity investment of $2.0 million in a privately held strategic partner. Prior to 2001, the Company made equity investments of $17.7 million in eleven privately held companies. The Company's equity interest in these entities ranges from 2.5% to 12.5% and the Company is accounting for these investments using the cost method of accounting. During 2001 and 2000 the Company recorded charges of $15.4 million and $4.1 million, respectively, for other than temporary losses on these investments. These companies are primarily early-stage companies and are subject to significant risk due to their limited operating history and current economic and capital market conditions. The Company has not recognized any material revenue from these companies during 2001. During the years ended December 31, 2000 and 1999, the Company recognized $16.0 million and $3.1 million, respectively, in total revenue from these companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CLARUS CORPORATION AND SUBSIDIARIES

Index to Financial Statements

<TABLE>
<CAPTION>

	Page
<S>	<C>
Independent Auditors' Report of KPMG LLP	48
Report of Arthur Andersen LLP, Independent Public Accountants	49
Consolidated Balance Sheets--December 31, 2001 and 2000	50
Consolidated Statements of Operations--Years Ended December 31, 2001, 2000 and 1999	51
Consolidated Statements of Stockholders' Equity and Comprehensive Loss--Years Ended December 31, 2001, 2000 and 1999	52
Consolidated Statements of Cash Flows--Years Ended December 31, 2001, 2000 and 1999	53
Notes to Consolidated Financial Statements	55

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Clarus Corporation and Subsidiaries:

We have audited the consolidated balance sheets of Clarus Corporation and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clarus Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Atlanta, Georgia
February 8, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Clarus Corporation:

We have audited the consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows of Clarus Corporation (a Delaware corporation) and subsidiaries for the year ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Clarus Corporation and subsidiaries for the year ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 28, 2000

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000
(In Thousands, Except Share and Per Share Amounts)

<TABLE>
<CAPTION>

	2001	2000
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,628	$ 118,303
Marketable securities	65,264	50,209
Accounts receivable, less allowance for doubtful accounts of $675 and $3,917 in 2001 and 2000, respectively	2,566	8,126
Deferred marketing costs, current	391	5,321
Prepaids and other current assets	2,472	2,731
Total current assets	126,321	184,690
PROPERTY AND EQUIPMENT, NET	7,352	7,619
OTHER ASSETS:		
Deferred marketing costs, net of current portion	98	2,508
Investments	200	13,619
Intangible assets, net of accumulated amortization of $14,608 and $6,146 in 2001 and 2000, respectively	10,815	58,214
Deposits and other long-term assets	488	254
Total assets	$ 145,274	$ 266,904

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 6,506	$ 11,059
Deferred revenue	5,206	2,295
Total current liabilities	11,712	13,354
LONG-TERM LIABILITIES:		
Deferred revenue	1,969	881
Long-term debt	5,000	5,000
Other long-term liabilities	265	847
Total liabilities	18,946	20,082
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; 15,638,712 and 15,609,029 shares issued and 15,563,712 and 15,534,029 shares outstanding in 2001 and 2000, respectively	2	2
Additional paid-in capital	360,670	362,415
Accumulated deficit	(234,623)	(114,769)
Less treasury stock, 75,000 shares at cost	(2)	(2)
Accumulated other comprehensive income (loss)	281	(572)
Deferred compensation	--	(252)
Total stockholders' equity	126,328	246,822
Total liabilities and stockholders' equity	$ 145,274	266,904

</TABLE>

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

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2001, 2000, and 1999
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
REVENUES:			
License fees	$ 7,807	$ 24,686	$ 15,101
Services fees	9,198	9,361	23,041
Total revenues	17,005	34,047	38,142
COST OF REVENUES:			
License fees	211	154	1,351
Services fees	12,253	11,935	14,517
Total cost of revenues	12,464	12,089	15,868
OPERATING EXPENSES:			
Research and development, exclusive of noncash expense	16,220	22,390	9,003
Noncash research and development	--	424	--
In-process research and development	--	8,300	--
Sales and marketing, exclusive of noncash expense	27,294	36,230	15,982
Noncash sales and marketing	6,740	7,001	1,930
General and administrative, exclusive of noncash expense	9,381	9,897	4,996
Provision for doubtful accounts	5,537	5,824	1,245
Noncash general and administrative	252	1,098	874
Loss on impairment of intangible assets	36,756	--	--
Depreciation and amortization	12,212	8,132	3,399
Total operating expenses	114,392	99,296	37,429
OPERATING LOSS	(109,851)	(77,338)	(15,155)

GAIN ON SALE OF ASSETS	20	1,347	9,417
GAIN ON FOREIGN CURRENCY TRANSACTIONS	107	--	--
LOSS ON SALE OF MARKETABLE SECURITIES	(11)	(100)	--
LOSS ON IMPAIRMENT OF INVESTMENTS	(16,461)	(4,128)	--
AMORTIZATION OF DEBT DISCOUNT	--	(982)	--
INTEREST INCOME	6,570	10,902	442
INTEREST EXPENSE	(228)	(348)	(105)
NET LOSS	$(119,854)	$(70,647)	$ (5,401)
NET LOSS PER SHARE--BASIC AND DILUTED	$ (7.72)	$ (4.90)	$ (0.49)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING--BASIC AND DILUTED	15,530	14,420	11,097

</TABLE>

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

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
Years Ended December 31, 2001, 2000, and 1999
(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	Deferred Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCES, December 31, 1998	11,003	$ 1	$ 61,433	$ (38,721)	(75)	$(2)	$ --	$ (600)
Exercise of warrants	26	--	--	--	--	--	--	--
Issuance of warrants	--	--	13,028	--	--	--	--	--
Accelerated vesting of stock options	--	--	687	--	--	--	--	19
Cancellation of stock options	--	--	(143)	--	--	--	--	143
Amortization of deferred compensation	--	--	--	--	--	--	--	168
Exercise of stock options	572	--	2,003	--	--	--	--	--
Net loss	--	--	--	(5,401)	--	--	--	--
BALANCES, December 31, 1999	11,601	1	77,008	(44,122)	(75)	(2)	--	(270)
Exercise of warrants	32	--	--	--	--	--	--	--
Issuance of warrants in connection with marketing and research and development agreements	--	--	878	--	--	--	--	--
Exercise of stock options	542	1	3,074	--	--	--	--	--
Issuance of shares under employee stock purchase plan	4	--	34	--	--	--	--	--
Issuance of stock options at less than fair market value	--	--	5,696	--	--	--	--	(5,696)
Amortization of deferred compensation	--	--	--	--	--	--	--	1,098
Cancellation of stock options	--	--	(4,616)	--	--	--	--	4,616
Issuance of stock and stock options in acquisition of SAI	1,148	--	32,153	--	--	--	--	--
Issuance of stock in secondary offering	2,243	--	244,427	--	--	--	--	--
Issuance of stock in connection with marketing agreements	39	--	3,761	--	--	--	--	--
Net loss	--	--	--	(70,647)	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	(19)	--
Unrealized loss on marketable securities	--	--	--	--	--	--	(553)	--
Total comprehensive loss								
BALANCES, December 31, 2000	15,609	2	362,415	(114,769)	(75)	(2)	(572)	(252)
Amortization of deferred compensation	--	--	--	--	--	--	--	252
Exercise of stock options	63	--	198	--	--	--	--	--
Issuance of shares under employee stock								

purchase plan..............................	55	--	260	--	--	--	--	--
Retirement of shares related to the SAI acquisition................................	(88)	--	(2,203)	--	--	--	--	--
Net loss....................................	--	--	--	(119,854)	--	--	--	--
Foreign currency translation adjustment......	--	--	--	--	--	--	87	--
Unrealized gain on marketable securities.....	--	--	--	--	--	--	766	--
Total comprehensive loss.....................								
BALANCES, December 31, 2001.....................	15,639	$ 2	$360,670	$(234,623)	(75)	$(2)	$ 281	$ --

</TABLE>
<TABLE>
<CAPTION>

<S>	Total Stockholders' Equity <C>	Comprehensive Loss <C>
BALANCES, December 31, 1998.....................	$ 22,111	
Exercise of warrants.........................	--	
Issuance of warrants.........................	13,028	
Accelerated vesting of stock options.........	706	
Cancellation of stock options................	--	
Amortization of deferred compensation........	168	
Exercise of stock options....................	2,003	
Net loss....................................	(5,401)	$ (5,401)
BALANCES, December 31, 1999.....................	32,615	
Exercise of warrants.........................	--	
Issuance of warrants in connection with marketing and research and development agreements.................................	878	
Exercise of stock options....................	3,075	
Issuance of shares under employee stock purchase plan..............................	34	
Issuance of stock options at less than fair market value...............................	--	
Amortization of deferred compensation........	1,098	
Cancellation of stock options................	--	
Issuance of stock and stock options in acquisition of SAI..........................	32,153	
Issuance of stock in secondary offering......	244,427	
Issuance of stock in connection with marketing agreements........................	3,761	
Net loss....................................	(70,647)	$ (70,647)
Foreign currency translation adjustment......	(19)	(19)
Unrealized loss on marketable securities.....	(553)	(553)
Total comprehensive loss.....................		$ (71,219)
BALANCES, December 31, 2000.....................	246,822	
Amortization of deferred compensation........	252	
Exercise of stock options....................	198	--
Issuance of shares under employee stock purchase plan..............................	260	--
Retirement of shares related to the SAI acquisition................................	(2,203)	--
Net loss....................................	(119,854)	$(119,854)
Foreign currency translation adjustment......	87	87
Unrealized gain on marketable securities.....	766	766
Total comprehensive loss.....................		$(119,001)
BALANCES, December 31, 2001.....................	$ 126,328	

</TABLE>

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

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000, and 1999
(In Thousands)

	2001	2000	1999
OPERATING ACTIVITIES:			
Net loss	$(119,854)	$(70,647)	$ (5,401)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of property and equipment	3,750	2,770	2,000
Amortization of intangible assets	8,462	5,362	1,399
Loss on impairment of investments	15,419	4,128	--
Loss on impairment of intangible assets	36,756	--	--
Loss on impairment of marketable securities	1,042	--	--
Loss on sale of investments and other	(11)	100	--
Noncash interest expense associated with original issue discount on debt	--	982	--
In-process research and development	--	8,300	--
Provision for doubtful accounts	5,537	5,824	1,245
Noncash research and development expense	--	424	--
Noncash sales and marketing expense	6,740	7,001	1,930
Noncash general and administrative expense	252	1,098	874
Exchange of software for cost-method investments	--	(12,868)	(1,168)
Gain on sale of assets	(20)	(1,347)	(9,419)
Loss on sale of property and equipment	--	--	138
Changes in operating assets and liabilities:			
Accounts receivable	23	(4,567)	(8,185)
Prepaids and other current assets	259	(855)	(2,396)
Deposits and other long-term assets	(234)	(127)	248
Accounts payable and accrued liabilities	(4,553)	4,934	203
Deferred revenue	3,999	(1,407)	1,121
Other long-term liabilities	18	46	127
Net cash used in operating activities	(42,415)	(50,849)	(17,284)
INVESTING ACTIVITIES:			
Purchase of marketable securities	(95,527)	(55,648)	--
Proceeds from the sale and maturity of marketable securities	80,185	6,000	--
Purchase of SAI/Redeo companies, net of cash acquired	--	(30,645)	--
Purchase of iSold	--	(2,453)	--
Purchase of property and equipment	(3,463)	(5,871)	(3,213)
Purchase of investments	(2,000)	(3,711)	--
Proceeds from sale of assets	--	1,864	12,006
Proceeds from sale of property and equipment	--	--	48
Purchase of intangible software rights	--	--	(489)
Net cash (used in) provided by investing activities	(20,805)	(90,464)	8,352

CLARUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)
Years Ended December 31, 2001, 2000, and 1999
(In Thousands, except shares and warrants)

	2001	2000	1999
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock related to secondary offering	--	244,427	--
Proceeds from the exercise of stock options	198	3,075	2,003

Proceeds from issuance of common stock related to employee stock purchase plan	260	34	--
Proceeds from long-term debt	--	5,000	7,000
Repayments of long term debt and capital lease obligations	--	(7,028)	(743)
Net cash provided by financing activities	458	245,508	8,260
Effect of exchange rate change on cash	87	(19)	--
CHANGE IN CASH AND CASH EQUIVALENTS	(62,675)	104,176	(672)
CASH AND CASH EQUIVALENTS, beginning of year	118,303	14,127	14,799
CASH AND CASH EQUIVALENTS, end of year	$ 55,628	$118,303	$14,127
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Cash paid for interest	$ 228	$ 348	$ 103
NONCASH TRANSACTIONS:			
Issuance of warrants to purchase 25,000 and 230,000 shares, respectively, of common stock in connection with marketing agreements	$ --	$ 454	$12,046
Issuance of warrants to purchase 33,334 shares of common stock in connection with research & development arrangement	$ --	$ 424	$ --
Issuance of 39,118 shares of common stock in connection with marketing agreements	$ --	$ 3,761	$ --
Issuance of 1,148,000 shares of common stock and 163,200 common stock options in connection with SAI acquisition	$ --	$ 32,153	$ --
Retirement of 82,500 shares related to SAI acquisition	$ (2,181)	$ --	$ --
Receipt of marketable securities in satisfaction of trade accounts receivable	$ --	$ 1,214	$ 1,168
Issuance of warrants to purchase 29,999 shares of common stock in connection with short-term borrowing	$ --	$ --	$ 982

</TABLE>

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

CLARUS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001, 2000 and 1999

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Clarus Corporation, a Delaware corporation, and its subsidiaries, (the "Company") develop, market, and support Internet-based business-to-business electronic commerce solutions that automate the procurement and management of operating resources. The Company also provides implementation and ongoing customer support services as part of its complete procurement solutions. The Company's subsidiaries include Clarus International, Inc., Clarus eMEA Ltd., Clarus CSA, Inc., SAI (Ireland) Limited, SAI Recruitment Limited, i2Mobile.com Limited and SAI America Limited.

Sale of Financial and Human Resources Software Business

On October 18, 1999, the Company sold its financial and human resources software business (the "Assets") to Geac Computer Systems, Inc. and Geac Canada Limited for a total of approximately $13.9 million. Approximately $2.9 million of the purchase price was placed in escrow and subsequently settled during 2000. The Company recorded a gain in 1999 on the sale of the business of approximately $9.4 million and an additional gain of $1.3 million in 2000 upon settlement of the escrow and release of indemnifications. In connection with the sale of the Assets, the Company accelerated the vesting on certain options. The company recorded a non-cash compensation charge of approximately $706,000 during 1999 related to these options. License revenue from the financial and human resources software business for the year ended December 31, 1999 was approximately $5.1 million. Services revenue from the financial and human resources software business for the year ended December 31, 1999 was approximately $21.5 million.

Completion of Secondary Offering

On March 10, 2000, the Company sold 2,243,000 shares of common stock in a secondary public offering at $115.00 per share resulting in net proceeds to the Company of approximately $244.4 million. The proceeds, net of expenses, from this public offering were placed in investment grade cash equivalents and marketable securities.

Basis of Consolidated Financial Statement Presentation

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

Critical Accounting Policies and Use of Estimates

If demand for business-to-business software and related services remain soft our business, operating results, liquidity and financial condition will be adversely affected. Our success depends on market acceptance of e-commerce as a viable method for corporate procurement and other commercial transactions and market adoption of our current products and future products. We continue to reposition our products and our company in the markets we serve. This strategy may not be successful. The competitive landscape we face is continuously changing. It is difficult to estimate how competition will affect our revenues.

It is also very difficult to predict our quarterly results. We have incurred significant net losses in each year since our inception. We believe that we will continue to incur losses in 2002. We may not increase our customer base sufficient to generate the substantial additional revenues necessary to become profitable. We have

established strategic selling relationships with a number of outside companies. There is no guarantee that these relationships will generate the level of revenues currently anticipated.

As we expand our international sales and marketing activities and international operations our business is more susceptible to the numerous risks associated with international sales and operations. We may not be successful in addressing these and other risks and difficulties that we may encounter. Please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors" section for additional information regarding the risks associated with our operations and financial condition.

The Company's discussion of financial condition and results of operations are based on the consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these 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 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.

- The Company recognizes 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.

. The Company maintains allowances for doubtful accounts based on expected losses resulting from the inability of the Company's customers to make required payments. As a result, the Company has recorded a provision for doubtful accounts of $5.5 million, $5.8 million and $1.2 million, respectively, in the years ended December 31, 2001, 2000 and 1999. If the financial condition of these customers were to deteriorate additional allowances may be required.

. The Company has significant long-lived assets, primarily intangibles, as a result of acquisitions completed during 2000. The Company has periodically evaluated the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". During the fourth quarter of 2001, the Company's evaluation of the performance of the SAI/Redeo companies compared to initial projections, negative economic trends and a decline in industry growth rate projections indicated that the carrying value of these intangible assets exceeded management's revised estimates of future undiscounted cash flows. This assessment resulted in a $36.8 million impairment charge of the intangible assets based on the amount by which the carrying amount of these assets exceeded fair value. Subsequent changes in projections may require additional impairment charges.

. The Company has made equity investments in several privately held companies. The Company records an investment impairment charge when it believes an investment has experienced a decline in value that

is other than temporary. During the years ended December 31, 2001 and 2000, the Company recorded impairment charges on investments of $15.4 million and $4.1 million, respectively.

. The Company is a party to lawsuits in the normal course of its business. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of the following lawsuit could adversely affect the Company's business, results of operations, liquidity or financial condition.

Following its public announcement on October 25, 2000, of its financial results for the third quarter, the Company and certain of its directors and officers were named as defendants in fourteen putative class action lawsuits filed in the United States District Court for the Northern District of Georgia on behalf of all purchasers of common stock of the Company during various periods beginning as early as October 20, 1999 and ending on October 25, 2000. The fourteen class action lawsuits filed against the Company were consolidated into one case, Case No. 1:00-CV-2841, pursuant to an order of the court dated November 17, 2000. On March 22, 2001, the Court entered an order appointing as the lead Plaintiffs John Nittolo, Dean Monroe, Ronald Williams, V&S Industries, Ltd., VIP World Asset Management, Ltd., Atlantic Coast Capital Management, Ltd., and T.F.M. Investment Group. Pursuant to the previous Consolidation Order of the Court, a Consolidated Amended Complaint was filed on May 14, 2001. On June 29, 2001, the Company filed a motion to dismiss the consolidated case. The plaintiffs responded to the Company's motion to dismiss on August 6, 2001. The Company replied with a rebuttal to the plaintiffs' response on August 27, 2001.

The class action complaint alleges claims against the Company and other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder with respect to alleged material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and certain press releases and other public statements made by the Company and certain of its officers relating to its business, results of operations, financial condition and future prospects, as a result of which, it is alleged, the market price of the Company's common stock was artificially inflated during the class periods. The class action complaint focuses on statements made concerning an account receivable from one of the Company's customers. The plaintiffs seek unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. The Company believes that it has complied with all of its obligations under the Federal securities laws and the Company intends to defend this lawsuit vigorously. As a result of consultation with legal representation and current insurance coverage, the Company does not believe the lawsuit will have a material impact on the Company's results of operations or financial position.

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 $40.6 million and $101.6 million in cash equivalents included in the accompanying consolidated balance sheets for the years ended December 31, 2001 and 2000, respectively.

Marketable Securities

Marketable securities at December 31, 2001 and 2000 consist of government notes and bonds, commercial paper, corporate debt and equity securities. 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 will be reported as a separate component of accumulated other comprehensive income (loss) until realized.

Credit and Customer Concentrations

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. As of December 31, 2001, four customers accounted for more than 10% each, totaling $1.7 million or 53.2% of the gross accounts receivable balance on that date. The percentage of total accounts receivable due from each of these four customers was 15.8%, 13.9%, 12.6% and 10.9%, respectively, at December 31, 2001. As of December 31, 2000, four customers accounted for more than 10% each, totaling $6.7 million or 56.0% of the gross accounts receivable balance on that date. The percentage of total accounts receivable due from each of these four customers was 19.9%, 14.5%, 11.2% and 10.4%, respectively, at December 31, 2000.

During the year ended December 31, 2001, three customers accounted for more than 10% each, totaling $6.1 million, or 35.7% of total revenue. The percentage of total revenue recognized from these three customers was 12.6%, 11.6% and 11.5%, respectively. During the year ended December 31, 2000, one customer accounted for more than 10%, totaling $3.8 million, or 11.3% of total revenue. During 1999 no customer accounted for more than 10% of total revenue.

During 2000 and 1999, the Company recognized revenue of $16.0 million, representing ten customers, and $3.1 million, from one customer, respectively, relating to early-stage technology companies in which the Company has also made investments. These companies are subject to significant risk due to their limited operating histories and volatile industry-based economic conditions.

During 2001, 26.9% of the Company's revenue was derived from international markets, and 12.6% was derived from one customer in Italy. During 2000, 20.6% of the Company's revenue was derived from international markets, none of which exceeded 10% in any one country. In 1999 substantially all of our revenue was from U.S.-based companies.

Property and Equipment

Property and equipment consists of furniture and fixtures, computers and other equipment, purchased software and leasehold improvements. These assets are depreciated on a straight-line basis over periods ranging from two to seven years. Leasehold improvements are amortized over the shorter of the useful life or the term of the lease.

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

<TABLE>
<CAPTION>

	December 31, 2001	December 31, 2000	Useful Life (in years)
Computers and equipment	$ 6,936	$ 8,190	2-5
Purchased software	4,730	4,212	2-5
Furniture and fixtures	1,297	1,241	5-7
Leasehold improvements	1,330	1,024	2-7
	14,293	14,667	
Less accumulated depreciation and amortization	(6,941)	(7,048)	
Property and equipment, net	$ 7,352	$ 7,619	

</TABLE>

Depreciation and amortization expense related to property and equipment totaled $3.8 million, $2.8 million and $2.0 million for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company has included purchased software in property and equipment which represents the cost of purchased integration software tools. It also includes the cost of licenses to use, embed and sell software tools developed by others. These costs are being amortized ratably based on the projected revenue associated with these purchased or licensed tools and products or the straight-line method over two years, whichever method results in a higher level of annual amortization. Amortization expense related to purchased software amounted to approximately $1.3 million, $766,000 and $614,000 and in 2001, 2000, and 1999, respectively. Accumulated amortization related to purchased software totaled approximately $2.1 million and $1.6 million at December 31, 2001 and 2000, respectively.

Investments

During the second quarter of 2001, the Company made an equity investment of $2.0 million in a privately held strategic partner. The Company did not recognize any revenue related to this investment. Prior to 2001, the Company made equity investments of $17.7 million in eleven privately held companies. The Company's equity interest in these entities ranges from 2.5% to 12.5% and the Company is accounting for these investments using the cost method of accounting. The Company did not recognize any material revenue from these companies during 2001. During the years ended December 31, 2000 and 1999, the Company recognized $16.0 million and $3.1 million, respectively, in total revenue from these companies. During 2001 and 2000 the Company recorded impairment charges of $15.4 million and $4.1 million, respectively, for other than temporary losses on these investments. These companies are primarily early-stage companies and are subject to significant risk due to their limited operating history and current economic and capital market conditions. The remaining investment, valued at $200,000 in the accompanying December 31, 2001 balance sheet, was sold and cash of $200,000 was received during the first quarter of 2002.

Intangible Assets

At December 31, 2001 and 2000, intangible assets were $10.8 million and $58.2 million, respectively, and include goodwill, developed technologies, and other intangibles. These intangible assets are being amortized on a straight-line basis over periods ranging from three to ten years. Amortization expense related to these intangibles amounted to $8.5 million, $5.4 million and $1.4 million in 2001, 2000 and 1999, respectively.

At each balance sheet date, the Company assesses the recoverability of the intangible assets by determining whether the carrying value can be recovered through expected undiscounted future operating cash flows of the acquired asset. The amount of impairment, if any, is measured based on discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. Based on this assessment and a revision to the Company's future cash flow estimate made during the fourth quarter of 2001, the Company recognized an impairment charge on intangible assets of $36.8 million related to the write-down of certain intangible assets associated with the acquisition of the SAI/Redeo companies on May 31, 2000.

As part of the acquisition of the SAI/Redeo companies, two former executives of the SAI/Redeo companies signed employment agreements. As a result of the voluntary termination of one agreement prior to the first anniversary of the acquisition date, the executive was required to return to the Company for cancellation 55,000 shares of common stock issued in connection with the agreement. During the first quarter of 2001, the Company recorded the fair value of these shares as of the acquisition date, approximately $1.5 million, as a reduction to the intangible balance associated with the SAI/Redeo acquisition. As a result of the voluntary termination of the second agreement prior to the second anniversary of the acquisition date, the executive was required to return to the Company for cancellation 27,500 shares of common stock issued in connection with the agreement. During the second quarter of 2001, the Company recorded the fair value of these shares as of the acquisition date, approximately $727,000, as a reduction to the intangible balance associated with the SAI/Redeo acquisition.

Accumulated amortization related to intangibles totaled $14.6 million and $6.1 million at December 31, 2001 and 2000, respectively.

Intangible assets are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	2001	2000	Useful Life (in years)
<S>	<C>	<C>	<C>
Goodwill-ELEKOM.................	$ 6,987	$ 6,987	10
Goodwill-SAI/Rodeo..............	10,798	49,735	8
Goodwill-iSold.com..............	1,948	1,948	4
Developed technologies--SAI/Rodeo	4,100	4,100	8
Developed technologies--iSold.com	506	506	3
Assembled workforce.............	450	450	7
Customer base...................	100	100	4
Other...........................	534	534	3

	2001	2000
	25,423	64,360
Less accumulated amortization....	(14,608)	(6,146)
Intangible assets, net..........	$ 10,815	$58,214

</TABLE>

Long-Lived Assets and Long-Lived Assets to be Disposed Of

Through December 31, 2001, the Company accounted for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". This statement requires that long-lived assets and certain identifiable intangibles be 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 future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the following as of December 31, 2001 and 2000 (in thousands):

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>
Accounts payable...............................	$ 588	$ 2,429
Accrued compensation, benefits, and commissions	1,386	3,497
Restructuring reserves.........................	1,889	--
Payable associated with iSold acquisition......	--	900
Other..	2,643	4,233
	$6,506	$11,059

</TABLE>

Product Returns and Warranties

The Company provides warranties for its products after the software is purchased for an agreed upon period. The Company generally supports only current releases and the immediately prior releases of its products. The Company's license agreements do not permit product returns by its customers. The Company has not

experienced significant warranty claims to date. Accordingly, the Company has not provided a reserve for warranty costs at December 31, 2001, 2000, and 1999.

Fair Value of Financial Instruments

The Company uses financial instruments in the normal course of its business. The carrying values of cash equivalents, marketable securities, accounts receivable, accounts payable and long-term debt approximate fair 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 exceed their respective carrying values at December 31, 2001 and 2000.

Revenue

The Company recognizes 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. Revenue from hosted software agreements are recognized ratably over the term of the hosting arrangements.

Amounts that have been received in cash or billed but that do not yet qualify for revenue recognition are reflected as deferred revenues. Deferred revenues at December 31, 2001 and 2000, were as follows (in thousands):

	2001	2000
Deferred revenues:		
Deferred license fees	$4,903	$ 328
Deferred services and training fees	281	111
Deferred maintenance fees	1,991	2,737
Total deferred revenues	7,175	3,176
Less current portion	5,206	2,295
Noncurrent deferred revenues	$1,969	$ 881

Deferred license fees include amounts collected under subscription, milestone based and other ratable contracts for which revenue has not been recognized. Deferred services, training fees and maintenance fees consist of prepaid fees for the performance of these services in the future.

Nonmonetary Transactions

The Company accounts for nonmonetary transactions based on the fair value of the elements to the arrangement. During the second quarter of 2001, the Company made an equity investment of $2.0 million in a privately held strategic partner. The Company did not recognize any revenue related to this investment. Prior to 2001, the Company made equity investments of $17.7 million in eleven privately held companies. The Company's equity interest in these entities ranges from 2.5% to 12.5% and the Company is accounting for these investments using the cost method of accounting. During 2000 and 1999, the Company recognized $16.0 million and $3.1 million, respectively, in total revenue from software sales to these privately held companies.

Accordingly, the Company recorded the fair value of the license revenue based on evidence of past sales that are specific to the Company and recorded the fair value of the investment in customers based on similar prices paid in cash by outside financial investors or valuations performed by third parties.

As discussed in note 11, during 2000 and 1999, the Company issued shares of common stock and warrants to purchase the Company's common stock in exchange for sales and marketing and software development services. The Company recorded the noncash sales and marketing and research and development costs based upon the terms of the agreements using the fair value of the common stock or warrants issued.

Research and Development

Research and development expenses are charged to expense as incurred. Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized in accordance with SFAS No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". The Company has defined technological feasibility as the point in time at which the Company has a working model of the related product. Historically, the development costs incurred during the period between the achievement of technological feasibility and the point at which the product is available for general release to customers have not been material. Therefore, the Company has charged all software development costs to research and development expense for the three years ended December 31, 2001.

Advertising Expense

Advertising costs are expensed as incurred and totaled $319,000, $4.4 million and $27,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Stock-Based Compensation Plan

The Company accounts for its stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense to be recognized over the related vesting period is generally determined on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS 123, "Accounting for Stock-Based Compensation", permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income (loss) and pro forma net

income (loss) per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS 123.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred 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 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 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, 2001, 2000 and 1999 does not include the effect of common stock equivalents, calculated by the treasury stock method, as their impact would be antidilutive. The potentially dilutive effect of excluded common stock equivalents are as follows (in thousands):

	2001	2000	1999
Effect of shares issuable under stock options	194	1,116	857
Effect of shares issuable pursuant to warrants to purchase common stock	--	167	25
Total effect of dilutive common stock equivalents	194	1,283	882

Comprehensive Income (Loss)

The Company utilizes SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting and presentation of comprehensive income 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 investments and is presented in the consolidated statements of shareholders' equity as comprehensive income (loss).

Segment and Geographic Information

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". This Statement establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers.

In accordance with the provisions of SFAS No. 131, the Company has determined that during 2001 and 2000 the Company operated in one principal business segment, e-commerce software solutions, across domestic and international markets. During 1999 the Company operated in two business segments, e-commerce software solutions and ERP software solutions. The Company evaluated the performance of the segments based on revenues and gross margin of the segments. The Company did not allocate assets to reportable segments. The

accounting policies of the segments are the same as those described above. Segment information for the year ended December 31, 1999 is as follows (in thousands):

	1999
Revenues:	
E-commerce revenue	$11,484
ERP revenue	26,658
Total revenues	$38,142
Cost of revenues:	

E-commerce cost of revenues	$ 3,530
ERP cost of revenues	12,338
Total cost of revenues	$15,868
Gross margins:	
E-commerce gross margin	$ 7,954
ERP gross margin	14,320
Total gross margins	$22,274

</TABLE>

Geographic revenue and property and equipment as of and for the years ended December 31, 2001 and 2000 were as follows:

<TABLE>
<CAPTION>

	2001	2000
	(in thousands)	
<S>	<C>	<C>
Revenue:		
United States	$12,431	$27,033
Italy	2,149	--
Other international	2,425	7,014
Total	$17,005	$34,047
Property and equipment:		
United States	$ 6,661	$ 7,098
International	691	521
Total	$ 7,352	$ 7,619

</TABLE>

Prior to 2000, substantially all of the Company's revenue and property and equipment were in the United States.

New Accounting Pronouncements

At the November 2001 Emerging Issues Task Force ("EITF") meeting, the FASB released Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred". The FASB Staff Announcement clarified interpretations of EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent", stating that the Staff believes that reimbursements received for out-of-pocket expenses should be characterized as revenue. Historically the Company has not reflected such reimbursements as revenue in its consolidated statements of operations. The largest expenses, for which the Company is reimbursed by clients, are travel related charges. The FASB Staff Announcement requires adoption in financial reporting periods beginning after December 15, 2001. Upon application of this FASB Staff Announcement, comparative financial statements for prior periods will be reclassified to provide consistent presentation. The Company does not expect the new FASB Staff Announcement to have any impact on its

financial position or results of operations. However, the Company's services fees revenue and cost of services fees revenue will increase by an equal amount as a result of the gross-up of revenues and expenses for reimbursable expenses. The following table shows the expected impact of adopting the Staff Announcement on services fees revenue and cost of services fees revenue for the years ended 2001 and 2000:

<TABLE>
<CAPTION>

	2001	2000

	-------	-------
	(in thousands)	
<S>	<C>	<C>
As reported		
Services fees revenue..............................	$ 9,198	$ 9,361
Cost of services fees revenue......................	12,253	11,935
After reclassification		
Services fees revenue..............................	9,866	10,327
Cost of services fees revenue......................	12,921	12,901

</TABLE>

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Assets to Be Disposed Of". The Company is required to adopt SFAS 144 effective January 1, 2002. The adoption of SFAS 144 is not expected to have a material impact on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 will also require that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values.

The Company is required to adopt the provisions of SFAS 141 immediately and SFAS 142 effective January 1, 2002. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before SFAS 142 is adopted in full will not be amortized, but will continue to be evaluated for impairment in accordance with the accounting literature in effect prior to the issuance of SFAS 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS 142.

At December 31, 2001, the Company's unamortized goodwill and intangibles totaled $10.8 million. Amortization expense related to goodwill was $7.6 million and $5.8 million for the years ended December 31, 2001 and 2000, respectively. Upon adoption, the Company tested goodwill for impairment according to the provisions of SFAS 142, which resulted in no impairment required as a cumulative effect of accounting change. The Company anticipates amortization related to intangibles with definitive lives to be approximately $863,000 during 2002.

In September 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement was amended in June 2000 by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". The Company adopted these new pronouncements in January of 2001. The new Statements require all derivatives to be recorded on the balance sheet at fair value and establish accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. The Company has no derivatives and the adoption of these pronouncements did not have any impact on the Company's results of operations or financial position.

Reclassifications

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

2. MARKETABLE SECURITIES

Prior to 2000, the Company did not own any marketable securities. After the completion of the Company's secondary offering, the proceeds were placed in investment grade cash equivalents and marketable securities. As of December 31, 2001 and 2000, 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. 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, 2001 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.....................................	$ 9,915	$ 21	$ --	9,936
Corporate notes and bonds............................	26,401	105	(13)	26,493
Government notes and bonds...........................	24,758	72	(6)	24,824
Certificates of deposit..............................	3,999	12	--	4,011
Total..	$65,073	$210	$(19)	$65,264

</TABLE>

The maturities of all securities are less than one year from December 31, 2001.

The Company had no realized gains and had approximately $11,000 in realized losses from sales of marketable securities included in the accompanying consolidated statements of operations for the year ended December 31, 2001. The Company received approximately $15.0 million in proceeds from these sales.

The gross unrealized holding gains for the cash equivalents at December 31, 2001 were approximately $22,000. There were no gross unrealized holding losses for the cash equivalents at December 31, 2001.

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, 2000 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.....................................	$20,897	$ 46	$ (29)	$20,914
Corporate notes and bonds............................	19,594	47	--	19,641
Government notes and bonds...........................	4,709	13	--	4,722
Certificates of deposit..............................	4,501	17	--	4,518
Equity securities....................................	1,213	--	(799)	414
Total..	$50,914	$123	$(828)	$50,209

</TABLE>

The maturities of all securities except for equity securities are less than one year from December 31, 2000.

The Company had no realized gains and had approximately $100,000 in realized losses from sales of marketable securities included in the accompanying consolidated statements of operations for the year ended December 31, 2000. The Company received approximately $2.9 million in proceeds from these sales.

The gross unrealized holding gains and the gross unrealized holding losses for the cash equivalents at December 31, 2000 were approximately $159,000 and $7,000, respectively.

3. ACQUISITIONS

Acquisition of iSold.com

On April 28, 2000, the Company acquired all of the capital stock of iSold.com, Inc., a Delaware corporation ("iSold"). iSold has developed a software program that provides auctioning capabilities to its clients. The purchase consideration was approximately $2.5 million in cash of which $1.6 million was paid at the date of acquisition and $900,000 was accrued at the date of acquisition and paid in April 2001. The acquisition was treated as a purchase for accounting purposes with approximately $500,000 of the purchase consideration allocated to developed technologies and approximately $2.0 million to goodwill. The developed technologies are being amortized over 3 years and the goodwill is being amortized over 4 years.

Acquisition of the SAI/Redeo Companies

On May 31, 2000, the Company acquired all of the outstanding capital stock of SAI (Ireland) Limited, SAI Recruitment Limited, i2Mobile.com Limited and SAI America Limited (the "SAI/Redeo Companies"). The SAI/Redeo Companies specialize in electronic payment settlement. The purchase consideration was approximately $63.2 million, consisting of approximately $30.0 million in cash (exclusive of $350,000 of cash acquired), 1,148,000 shares of the Company's common stock with a fair value of $30.4 million, assumed options to acquire 163,200 shares of the Company's common stock with an exercise price of $23.50 (estimated fair value of $1.8 million using the Black-Scholes option pricing model with the following assumptions: no expected dividend yield, volatility of 70%, risk-free interest rate of 6.5%, and an expected life of 2 years) and acquisition costs of approximately $995,000. The acquisition was treated as a purchase for accounting purposes, and accordingly, the assets and liabilities were recorded based on their preliminary fair value at the date of acquisition. The Company evaluated the developed technologies and in-process research and development to determine their stage of development, their expected income generating ability, as well as risk factors associated with achieving technological feasibility. The Company expensed approximately $8.3 million as in-process research and development in the second quarter of 2000.

Pro forma information

The following unaudited pro forma information presents the results of operations of the Company as if the SAI/Redeo acquisition had taken place on January 1, 1999, and excludes the write-off of in-process research and development of $8.3 million and the results of operations of iSold.com due to the related amounts being immaterial (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Years ended December 31, 2000	Years ended December 31, 1999
<S>	<C>	<C>
Revenues	$ 34,929	$ 41,775
Net loss	(66,521)	(14,856)
Basic and diluted earnings per share:		
Net loss per common share	$ (4.47)	$ (1.21)
Equivalent number of shares	14,894	12,245

</TABLE>

4. RELATED-PARTY TRANSACTIONS

On November 1, 2001, the Company engaged E.Com Consulting to perform market research and provide recommendations concerning the needs and opportunities associated with the Company's settlement product. E.Com Consulting subcontracted with e-RM International, Inc. ("e-RMI") to assist with a portion of this project.

e-RMI is a Delaware corporation whose sole shareholder is Chrismark Enterprises LLC. Chrismark Enterprises LLC is owned by Mark Johnson, a director of the Company, and his wife. The contract period of the engagement was November 1, 2001 through January 31, 2002 for which the Company agreed to pay total professional fees of $50,000 plus out-of-pocket expenses. Of this amount $7,805 was paid to e-RMI. The Company expensed a total of $42,164 in connection with this engagement during 2001 that is included in general and administrative expense in the accompanying consolidated statement of operations and had a balance due E.Com of $34,359 at December 31, 2001 that is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet. The remaining amounts due under the agreement will be expensed and paid in 2002.

On February 7, 2002 Todd Hewlin joined the Company's board of directors. Mr. Hewlin is a managing director of The Chasm Group, LLC, a consultancy organization focusing on helping technology companies develop and implement strategies that create and sustain market leadership positions for their core products while building shareholder value and a sustainable competitive advantage. During 2001, the Company engaged The Chasm Group to assist the Company on various strategic and organizational issues. The contract period of the engagement was November 15, 2001 through February 15, 2002 for which the Company agreed to professional fees of $225,000 plus out-of-pocket expenses. The Company expensed a total of $131,000 during 2001 that is included in general and administrative in the accompanying consolidated statement of operations and had a balance due The Chasm Group of $94,000 at December 31, 2001 that is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet. The remaining amounts due under the agreement will be expensed and paid in 2002.

During 1998, the Company engaged in a number of transactions with McCall Consulting Group, Inc. ("McCall Consulting Group") and Technology Ventures, L.L.C. ("Technology Ventures"), entities controlled by Joseph S. McCall, a former shareholder and director of the Company. In February 1998, the Company entered into an agreement with Mr. McCall whereby he resigned as the Company's chief executive officer and as chairman, chief executive officer, and manager of a services subsidiary of the Company. Mr. McCall remained an employee of the Company until the completion of the Company's initial public offering in May 1998, at which time he became a consultant to the Company for a period of one year pursuant to the terms of an independent contractor agreement. In recognition of past services to the Company, and resignations of certain positions noted above, the Company paid to Mr. McCall a lump sum of $225,000 on June 30, 1998, and also agreed to pay Mr. McCall severance of $75,000 payable over a one-year period. For his consulting services, the Company paid Mr. McCall the sum of $125,000 over the one-year period from the date of the initial public offering, with the ability to earn an additional $100,000 in incentive compensation if certain revenue targets were met by the Company. The Company paid $124,000 to Mr. McCall under this consulting agreement during the year ended December 31, 1999. No payments were made to Mr. McCall in 2000 or 2001.

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

5. RESTRUCTURING AND RELATED COSTS

During 2001, the Company's management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $513,000, $498,000 and $3.1 million were expensed in the first, third and fourth quarters of 2001, respectively, to better align the Company's cost structure with projected revenue. The first and third quarter charges were comprised entirely of employee separation and related costs for 23 and 43 employees, respectively. The fourth quarter charge was comprised of $1.9

million for employee separation and related costs for 115 employees and $1.2 million for facility closure and consolidation costs. For the year

ended December 31, 2001, the restructuring and related costs were classified in the Company's consolidated statement of operations as follows:

	Year Ended December 31, 2001 (in thousands)
Cost of revenues--services fees	$1,177
Research and development	217
Sales and marketing	1,218
General and administrative	1,545
Total	$4,157

The Company completed all employee separation initiatives by December 31, 2001 and expects to complete the facility closure and consolidation during the first half of 2002. The facility closure and consolidation costs relate to the abandonment of the Company's leased facility near Toronto, Canada and the restructuring of the Company's leased facility in Suwanee, Georgia. Total facility closure 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 following is a reconciliation of the components of the restructuring and related accrual, the amounts charged against the accrual during 2001 and the balance of the accrual as of December 31, 2001:

	Restructuring and Related charges	Expenditures During 2001	Remaining accrual at December 31, 2001
	(in thousands)		
Employee separation costs	$2,939	$2,259	$ 680
Facility closure costs	1,218	9	1,209
Total	$4,157	$2,268	$1,889

The accrual for restructuring and related costs is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet at December 31, 2001.

6. INCOME TAXES

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

<TABLE>
<CAPTION>
Year ended December 31,

<S>	2001 <C>	2000 <C>	1999 <C>
Pre-tax loss:			
United States	$ (66,995)	$(51,805)	$(5,401)
Foreign	(52,859)	(18,842)	--
	$(119,854)	$(70,647)	$(5,401)

</TABLE>

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, 2001 are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Year ended December 31, 2001 <C>	2000 <C>	1999 <C>
Current:			
Federal	$ --	$ --	$ --
State	--		
Foreign	--	--	--
	--	--	--
Deferred:			
Federal	(19,950)	(16,216)	(1,473)
State	(4,809)	(2,700)	(173)
Foreign	(2,513)	(1,863)	--
	(27,272)	(20,779)	(1,646)
Increase in valuation allowance for deferred income taxes	27,272	20,779	1,646
	$ --	$ --	$ --

</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 each of the years in the three-year period ended December 31, 2001:

<TABLE>
<CAPTION>

<S>	Year ended December 31, 2001 <C>	2000 <C>	1999 <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	(2.6)	(3.7)	(4.0)
Other, net	0.1	0.7	0.8
Nondeductible goodwill	12.8	2.5	6.7
Nondeductible acquired research & development	0.0	4.0	0.0
Income tax effect attributable to foreign operations	0.9	1.1	0.0
Increase in valuation allowance	22.8	29.4	30.5
Income tax expense (benefit)	$ --	$ --	$ --

====== ======= ======
</TABLE>

Deferred income tax assets and liabilities are determined based on the difference between the financial accounting and tax bases of assets and liabilities. Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

<TABLE>
<CAPTION>

	Year ended December 31, 2001	Year ended December 31, 2000
Deferred income tax assets:		
Net operating loss and research & experimentation credit carryforwards	$ 43,985	23,980
Allowance for doubtful accounts	131	1,509
Depreciation and amortization	856	540
Noncash compensation	7,444	4,719
Accrued liabilities	392	385
Impairment charges on investments	7,207	1,610
Net deferred income tax assets before valuation allowance	60,015	32,743
Valuation allowance for deferred income tax assets	(60,015)	(32,743)
Net deferred income tax assets	$ --	$ --

</TABLE>

The net increase in the valuation allowance for deferred income tax assets for 2001, 2000 and 1999 was $27.3 million, $20.8 million, and $1.6 million, respectively. 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, 2001 because the ultimate realization of those benefits and assets does not meet the more likely than not criteria.

At December 31, 2001, the Company has net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of approximately $98.7 million, $1.1 million and $53,000, respectively, which expire in varying amounts beginning in the year 2009. The Company also has incurred foreign losses in the amount of approximately U.S.$16.0 million that are available to offset future taxable income in foreign jurisdictions.

The Company's ability to benefit from certain net operating loss and other carryforwards is limited under section 382 of the Internal Revenue Code as the Company is deemed to have had an ownership change of greater than 50%. Accordingly, certain U.S. net operating losses may not be realizable in future years due to this limitation.

7. DEBT

The Company's short- and long-term debt consists of the following as of December 31, 2001 and 2000 (in thousands):

<TABLE>

<CAPTION>

<S>	2001 <C>	2000 <C>
Convertible subordinated promissory note with a commercial bank, which is also a customer, due March 15, 2005, interest payable quarterly at 4.5%.............	$5,000	$5,000
	5,000	5,000
Less current portion of long-term debt...	--	--
	$5,000	$5,000

</TABLE>

The Company entered into a $5.0 million convertible subordinated promissory note (the "Note") with a commercial bank who is also a major customer on March 14, 2000 which is due March 15, 2005. The note provides for the ability of the holder to convert, at its option, all or any portion of the principal of the Note into common stock of the Company at the price of $147.20 per share. If at any time after the date of the Note the quoted price per share of the Company's common stock exceeds 200% of the conversion price then in effect for at least 20 trading days in any period of 30 consecutive trading days, the Company has the right to require that the holder of the Note convert all of the principal of the Note into common stock of the Company at the price of $147.20 per share.

In 1999, the Company entered into financing agreements for $7.0 million. In connection with the financing, the Company issued warrants to purchase 29,999 shares of common stock at an exercise price of $53.69 per share. The Company recorded the value of the warrants of approximately $980,000 as original issue discount to be amortized to interest expense over the life of the bridge financing. The entire $7.0 million plus interest was paid during the first quarter of 2000. As a result, the entire value of the warrants was amortized in the period ending March 31, 2000. Additionally, the Company paid approximately $700,000 in debt issuance costs that were amortized in the period ended March 31, 2000.

8. ROYALTY AGREEMENTS

The Company is a party to royalty and other equipment manufacturer agreements for certain of its applications. The Company incurred a total of approximately $169,000, $139,000 and $1.3 million in royalty expense for the years ended December 31, 2001, 2000, and 1999, respectively, pursuant to these agreements. The royalty fees paid are included in cost of revenues-license fees in the accompanying consolidated statements of operations.

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 $147,000 and $93,000 in 2001 and 2000, respectively. The Company did not make matching or discretionary profit-sharing contributions in 1999.

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, 2001 and 2000, 55,420 and 3,883 shares were purchased for the benefit of the participants under the Plans, respectively. As of December 31, 2001, there were 17 and 7 participants in the U.S. Plan and the Global Plan, respectively. As of December 31, 2000, there were 69 and 20 participants in the U.S. Plan and the Global Plan, respectively.

10. STOCK OPTION PLANS

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

The 1992 Plan also provides for stock purchase authorizations and stock bonus awards. As of December 31, 2001, no such awards have been granted under the 1992 Plan.

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

In the third quarter of 2000, the Company granted 18,750 options from the 1998 Plan to a new board member at a price below the fair market value at the date of grant. Deferred compensation of approximately $266,000 was recorded related to this grant and compensation expense of approximately $150,000 and $116,000 was recognized during 2001 and 2000, respectively.

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 enables the Company to grant up to 750,000 nonqualified stock options. The Company may grant options to eligible participants who must 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.

On August 15, 2001, the Company granted options to purchase 150,000 shares of common stock to a senior executive with an exercise price equal to the fair market value at the date of grant. These options are designated as nonqualified options and will expire if not exercised in full before August 14, 2011. Twenty-five percent of the shares subject to the option shall vest on the first anniversary of the date of grant and the remaining portion of the option shall vest in equal monthly installments for 36 months beginning on August 15, 2002.

During 2000, the Board of Directors approved and the Company issued 176,687 nonqualified stock options that were independent of the 1992 Plan and the 1998 Plan to certain employees of the Company. These options were issued at fair market value and vest over a four-year period in accordance with the Company's standard vesting schedule. During 2001, 160,020 of these options were canceled. The remaining 16,667 options were canceled during the first quarter of 2002. Additionally, the Board of Directors approved and the Company issued 160,000 nonqualified stock options to a senior executive during the first quarter of 2000 at an exercise price below the fair market value at the date of grant. These options were independent of the 1992 Plan and the 1998 Plan. Fifteen percent of these options vested immediately and the remainder vested over a four-year period in accordance with the Company's standard vesting schedule. The Company immediately expensed $814,500 associated with the intrinsic value of the vested options and recorded the intrinsic value of the unvested options, $4.6 million, as deferred compensation. This arrangement was terminated in the fourth quarter of 2000 and all options except those already vested were forfeited. As a result of the options forfeited, the Company reversed approximately $1.1 million of compensation expense in the fourth quarter of 2000 that had previously been recognized during 2000. The vested options were canceled during the first quarter of 2002.

Total options available for grant under all plans as of December 31, 2001 were 930,015.

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

During 2000 and 1998, the Company granted options with exercise prices below the fair market value at the date of grant. Accordingly, the Company recorded deferred compensation of approximately $5.7 million and $1.1 million for options granted during the years ended December 31, 2000 and 1998, respectively. The Company amortizes deferred compensation over the vesting period of the options. The Company amortized to noncash compensation expense approximately $252,000, $1,098,000 and $874,000 of the deferred compensation related to these option grants for the years ended December 31, 2001, 2000, and 1999, respectively. The 2000 expense includes $814,500 of expense related to options issued below market value that vested immediately, discussed above, and approximately $116,000 of expense related to options issued below fair market value granted to a board member, discussed above. The noncash compensation expense for 1999 includes the effect of the Company's acceleration of vesting on certain options that were granted in the first quarter of 1998 and third quarter of 1999. Additionally, in 1999, upon the sale of its financial and human resources software business, the Company accelerated the vesting on options to certain employees. As a result of the acceleration of vesting, the Company recorded a noncash charge of approximately $706,000 for the year ended December 31, 1999, representing the value of the options on the date of the acceleration and the removal of the remaining unamortized deferred compensation of approximately $19,000.

A summary of changes in outstanding options during the three years ended December 31, 2001 is as follows:

	Shares	Range of Exercise Prices	Weighted Average Exercise Price
December 31, 1998	2,084,003	$0.67-$ 10.00	$ 4.79
Granted	1,436,320	$3.50-$ 62.00	$15.50
Canceled	(802,991)	$0.67-$ 18.88	$ 5.48
Exercised	(572,318)	$0.67-$ 12.06	$ 3.50
December 31, 1999	2,145,014	$0.67-$ 62.00	$12.05
Granted	2,104,732	$6.13-$136.00	$31.06
Canceled	(440,631)	$0.67-$128.13	$25.53
Exercised	(541,993)	$0.67-$ 59.00	$ 5.67
December 31, 2000	3,267,122	$0.67-$136.00	$23.51
Granted	1,923,240	$3.43-$ 9.25	$ 5.80
Canceled	(1,886,791)	$1.00-$136.00	$25.80
Exercised	(62,445)	$0.67-$ 5.75	$ 3.17
December 31, 2001	3,241,126	$1.00-$128.13	$12.06
Vested and exercisable at December 31, 2001	1,122,296		$ 15.40
Vested and exercisable at December 31, 2000	564,081		$ 16.86
Vested and exercisable at December 31, 1999	525,845		$ 5.55

The weighted average grant date fair value of options granted during the years ended December 31, 2001, 2000, and 1999, was $5.78, $23.27 and $17.63 respectively.

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:

	2001	2000	1999
Dividend yield	0%	0%	0%
Expected volatility	90%	90%	60%
Risk-free interest rate	3.56%-4.98%	3.44%-6.60%	4.64%-6.38%
Expected life	Four years	Four years	Four years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 2001, 2000, and 1999, were approximately $7.4 million, $49.0 million and $6.0 million respectively, which would be amortized over the vesting period of the options. The per share fair values of the stock options granted during the years ended December 31, 2001, 2000, and 1999, were $3.84, $23.28 and $4.18, respectively. Had compensation cost been determined consistent with the provisions of SFAS No. 123, the Company's pro forma net loss and net loss per share in accordance with SFAS No. 123 for each of the years in the three-year period ended December 31, 2001, would have been as follows (in thousands, except per share amounts):

	2001	2000	1999
Net loss:			
As reported	$(119,854)	$(70,647)	$(5,401)
Pro forma	$(124,065)	$(79,320)	$(6,275)
Basic and diluted net loss per share:			
As reported	$ (7.72)	$ (4.90)	$ (0.49)
Pro forma	$ (7.99)	$ (5.50)	$ (0.57)

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, 2001:

Exercise Price Range	Number of Shares Outstanding at 12/31/01	Weighted Average Price	Weighted Average Remaining Contractual Life (Years)	Number of Shares Exercisable at 12/31/01	Weighted Average Price
$ 1.00-$ 4.83	712,864	$ 3.65	5.04	266,967	$ 3.62
$ 5.17-$ 7.63	1,535,733	$ 6.14	6.00	333,991	$ 5.94
$ 7.88-$ 26.44	448,938	$11.30	4.13	231,163	$11.32
$29.50-$128.13	543,591	$40.56	5.08	290,175	$40.38
	3,241,126	$12.06		1,122,296	$15.40

Subsequent to December 31, 2001, the Company has granted options to purchase 502,932 shares of common stock at exercise prices ranging from $4.10 to $5.99 per share.

11. STOCKHOLDERS' EQUITY

Common Stock

During 2000, the Company entered into agreements with three strategic partners, who are also customers, to provide various sales and marketing efforts on behalf of the Company in exchange for approximately 22,500, 6,000 and 10,618 shares of the Company's common stock, respectively. The total value of these common stock grants was approximately $3.8 million based upon the value of the Company's common stock at the date of grant. The Company recognized $1.5 million and $8.3 million of total revenues from these customers during the years ended December 31, 2001 and 2000, respectively. The Company did not recognize any revenue from these customers during 1999.

The sales and marketing agreement signed with one strategic partner also included 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 cash payments as deferred sales and marketing costs in the accompanying consolidated balance sheet. During the fourth quarter of 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 noncash sales and marketing expense, including the write-off discussed above, of approximately $2.5 million and $825,000 during 2001 and 2000, respectively related to these agreements. The remaining balance will be amortized over the initial service period of three years.

Warrants

In connection with the 1999 financing discussed in Note 7, the Company issued warrants to purchase 29,999 shares of common stock at an exercise price of $53.69 per share. The expiration date of these warrants is December 28, 2002. The warrants remain outstanding at December 31, 2001.

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 will expire in December of 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, determined using the Black-Scholes option-pricing model with the following variables: the respective fair market value of the Company's stock at the date of grant, no expected dividend yield, volatility of 60%, risk-free interest rate of 6.24%, and an expected life of two years. These amounts were recorded as additional paid-in capital and deferred sales and marketing costs at the date of issuance. The Company has recorded noncash sales and marketing expense of approximately $4.3 million, $5.7 million and $1.9 million related to these agreements during the years ended December 31, 2001, 2000 and 1999, respectively. All of the warrants remain outstanding at December 31, 2001. The Company recognized $473,000 and $3.2 million of total revenues from these customers during the years ended December 31, 2000 and 1999, respectively. The Company did not recognize any revenue from these customers during 2001.

During 1999, the Company issued 5,000 warrants to a customer as a sales incentive to enter into a software license agreement. The warrants have an exercise price of $53.21 per share and allow the holder to purchase the Company's common stock at any time prior to December 31, 2002. The fair market value of the warrants at the date of issuance was $101,000 determined using the Black-Scholes options pricing model with the following variables: no expected dividend yield, volatility of 60%, risk-free interest rate of 6.24%, and a contractual life of 2 years. This amount was recorded as additional paid-in capital and deferred license revenue in the consolidated balance sheet for the year ended December 31, 1999. In June 2000, the customer earned the 5,000 warrants as a result of entering into a software license agreement. This amount was recorded as a charge to software license revenue in the 2000 statement of operations. These warrants remain outstanding at December 31, 2001.

During 1999, the Company entered into a reseller agreement with a third party. This agreement provides for the ability of the reseller to sell the Company's products in a certain territory. The Company will receive payments from the reseller based on the sales to end users but will also receive minimum royalty amounts from the reseller as indicated in the agreement. The Company will recognize the fee under this arrangement as the product is sold to the end user by the reseller. Additionally, the reseller has the ability to earn warrants to purchase up to 150,000 shares of common stock of the Company if certain revenue targets are met. No warrants were earned under the agreement and the agreement was terminated in the fourth quarter of 2000.

During 1999, the Company entered into an agreement with two strategic partners, who were also customers, to provide various sales and marketing efforts on behalf of the Company in exchange for a maximum of 25,000 warrants each to be earned pro-rata on a quarterly basis over the first three quarters of 2000. One of the strategic partners failed to earn any of the 25,000 warrants while the other strategic partner met the predetermined sales and marketing milestones and earned all of the 25,000 warrants, 8,333 each during the first three quarters of 2000. The exercise price of these warrants was $53.75 per share and allows the holder to purchase the Company's stock any time prior to October 31, 2003. The fair market value of the warrants at the end of each quarter was $303,000, $111,000 and $39,000 on the respective grant date, determined using the Black-Scholes option-pricing model with the following variables: the respective fair market value of the Company's stock at the date of grant, no expected dividend yield, volatility of 110%, risk-free interest rate of 6.3%, and an expected life of one year. As a result, the Company recognized $454,000 as noncash sales and marketing expense in the accompanying consolidated financial statements for the year ended December 31, 1999. The 25,000 warrants remain outstanding at December 31, 2001. The Company recognized $869,000 and $4.2 million of total revenues from these customers during the years ended December 31, 2000 and 1999, respectively. The Company did not recognize any revenue from these customers during 2001.

During 2000, the Company entered into an agreement with a third party to develop certain software that the Company intends to sell in the future in exchange for a maximum of 50,000 warrants, 33,334 and 16,666 to be earned 90 and 120 days from the commencement of the project, respectively. The developer met the first predetermined milestone and earned the 33,334 warrants while the remaining 16,666 were forfeited. The exercise

price of the 33,334 warrants was $56.78 per share and allows the holder to purchase the Company's stock any time prior to March 31, 2003. The fair market value of the warrants on the date of grant was $424,000, determined using the Black-Scholes option-pricing model with the following variables: the fair market value of the Company's stock at the date of grant, no expected dividend yield, volatility of 110%, risk-free interest rate of 6.3%, and an expected life of one year. These amounts were recorded as additional paid-in capital and noncash research and development expense in the accompanying consolidated financial statements accordingly. The warrants remain outstanding at December 31, 2001.

12. COMMITMENTS AND CONTINGENCIES

Leases

The Company rents certain office space, copiers, telephone and computer equipment under noncancelable operating leases. Rents charged to expense were approximately $2.1 million, $1.9 million and $1.7 million for the years ended December 31, 2001, 2000, and 1999, respectively. Aggregate future minimum lease payments for the next five years and thereafter under noncancelable operating leases with remaining terms greater than one year and in the aggregate as of December 31, 2001, are as follows (in thousands):

<TABLE>
<CAPTION>

Year ending December 31,	
<S>	<C>
2002	$2,022
2003	1,774
2004	1,803
2005	1,802
2006	644
Thereafter	53
Total	$8,098

</TABLE>

Product Liability

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

Litigation

The Company is a party to lawsuits in the normal course of its business. Litigation in general, and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of the following lawsuit could adversely affect the Company's business, results of operations, liquidity or financial condition.

Following its public announcement on October 25, 2000, of its financial results for the third quarter, the Company and certain of its directors and officers were named as defendants in fourteen putative class action lawsuits filed in the United States District Court for the Northern District of Georgia on behalf of all purchasers of common stock of the Company during various periods beginning as early as October 20, 1999 and ending on October 25, 2000. The fourteen class action lawsuits filed against the Company were consolidated into one case, Case No. 1:00-CV-2841, pursuant to an order of the court dated November 17, 2000. On March 22, 2001, the Court entered an order appointing as the lead Plaintiffs John Nittolo, Dean Monroe, Ronald Williams, V&S

Industries, Ltd., VIP World Asset Management, Ltd., Atlantic Coast Capital Management, Ltd., and T.F.M. Investment Group. Pursuant to the previous Consolidation Order of the Court, a Consolidated Amended Complaint was filed on May 14, 2001. On June 29, 2001, the Company filed a motion to dismiss the consolidated case. The plaintiffs responded to the Company's motion to dismiss on August 6, 2001. The Company replied with a rebuttal to the plaintiffs' response on August 27, 2001.

The class action complaint alleges claims against the Company and other defendants for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder with respect to alleged material misrepresentations and omissions in public filings made with the Securities and Exchange Commission and certain press releases and other public statements made by the Company and certain of its officers relating to its business, results of operations, financial condition and future prospects, as a result of which, it is alleged, the market price of the Company's common stock was artificially inflated during the class periods. The class action complaint focuses on statements made concerning an account receivable from one of the Company's customers. The plaintiffs seek unspecified compensatory damages and costs (including attorneys' and expert fees), expenses and other unspecified relief on behalf of the classes. The Company believes that it has complied with all of its obligations under the Federal securities laws and the Company intends to defend this lawsuit vigorously. As a result of consultation with legal representation and current insurance coverage, the Company does not believe the lawsuit will have a material impact on the Company's results of operations or financial position.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the caption "Election of Directors" in the Proxy Statement used in connection with our 2002 Annual Stockholders' Meeting, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" in the Proxy Statement used in connection with our 2002 Annual Stockholders' Meeting, 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 the Proxy Statement used in connection with our 2002 Annual Stockholders' Meeting 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 the Proxy Statement used in connection with our 2002 Annual Stockholders' Meeting is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Financial Statements, Financial Statement Schedules and Exhibits

(a) Financial Statements. See Item 8 of Part II of this Form 10-K.

Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference from Exhibit 3.1 to Company's Registration on Form S-4 (File No. 333-63535)).
3.2	Amendment to Amended and Restated Certificate of Incorporation (Incorporated by reference from Exhibit 4.1 of the Company's Form 10-Q filed on August 14, 2000).
3.3	Amended and Restated Bylaws of the Company (Incorporated by reference from Exhibit 3.2 to Company's Registration on Form S-4 (File No. 333-63535)).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the 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 on Form S-1 (File No. 333-46685)).
4.3	Form of Vendor Warrant Agreement (Incorporated by reference from Exhibit 4.3 to the Company's

Form 10-K filed on March 30, 2000).

10.1 Stock Purchase Agreement dated May 31, 2000 by and among Clarus Corporation, SAI (Ireland) Limited, SAI Recruitment Limited, i2Mobile.com Limited, SAI America Limited (the "Companies") and the shareholders of the Companies (Incorporated by reference from Exhibit 2.1 of the Company's Form 8-K filed on June 13, 2000).

10.2 Patent License Agreement (Incorporated by reference from Exhibit 10.2 of the Company's Form 10-Q filed on August 14, 2000).

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

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

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

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

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

10.8 2000 Declaration of Amendment to Software Architects International Limited Stock Incentive Plan (Incorporated by reference from Exhibit 2.3 of the Company's Form 8-K filed on June 13, 2000). *

10.9 Employment Agreement between the Company and Stephen P. Jeffery. (Incorporated by reference from Exhibit 10.8 of the Company's Form 10-Q filed on August 14, 2000). *

10.10 Employment Agreement between the Company and Mark D. Gagne (Incorporated by reference from Exhibit 10.9 of the Company's Form 10-Q filed on August 14, 2000). *

10.11 SQL 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)). *

10.12 Lease Agreement between the Company and Technology Park/Atlanta, Inc. dated July 24, 1998 (Incorporated by reference from Exhibit 10.18 of the Company's Form S-4 Registration Statement (File No. 333-63535)).

10.13 Assignment and Assumption of Leases between Technology Park/Atlanta, Inc. and Metropolitan Life Insurance Company dated July 24, 1998 (Incorporated by reference from Exhibit 10.18 of the Company's Form S-4 Registration Statement (File No. 333-63535)).
</TABLE>

<TABLE>
<CAPTION>
Exhibit
Number   Exhibit
------   -------
<C>   <S>

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

10.15 ** Employment Agreement between the Company and Steven M. Hornyak (Incorporated by reference from Exhibit 10.1 of the Company's Form 10-Q filed on August 10, 2001).*

10.16 Employment Agreement between the Company and Sean Feeney. *

10.17 *** Separation Agreement between the Company and Michael W. Mattox. *

10.18 Employment Agreement between the Company and Craig W. Potts. *

16.1 Letter from Arthur Andersen LLP (Incorporated by reference from Exhibit 16.1 of the Company's current report on Form 8-K filed on June 12, 2000).

21.1 List of Subsidiaries.

23.1 Consent of KPMG LLP.

23.2 Consent of Arthur Andersen LLP.

99.1 Independent Auditors' Report of KPMG LLP on Financial Statement Schedule.

99.2 Report of Independent Public Accountants, Arthur Andersen LLP, on Financial Statement Schedule.
</TABLE>

- --------

* Management contract or compensatory plan or arrangement.
** Certain information in this Exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been granted with respect to the omitted portions.
*** Certain information in this Exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Reports on Form 8-K filed in the fourth quarter of 2001.--None.

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 21, 2002

By: /s/ STEPHEN P. JEFFERY

Stephen P. Jeffery
Chairman, Chief Executive
Officer and President

Name	Title	Date
/s/ STEPHEN P. JEFFERY Stephen P. Jeffery	Chairman, Chief Executive Officer, President (principal executive officer) and Director	March 21, 2002
/s/ JAMES J. MCDEVITT James J. McDevitt	Chief Financial Officer (principal financial and accounting officer)	March 21, 2002
/s/ TENCH COXE Tench Coxe	Director	March 21, 2002
/s/ TODD HEWLIN Todd Hewlin	Director	March 21, 2002
/s/ DONALD L. HOUSE Donald L. House	Director	March 21, 2002
/s/ MARK A. JOHNSON Mark A. Johnson	Director	March 21, 2002
/s/ SAID MOHAMMADIOUN Said Mohammadioun	Director	March 21, 2002
/s/ BRADY L. RACKLEY, III	Director	March 21, 2002

Brady L. Rackley, III

Schedule II

Valuation and Qualifying Accounts
Clarus Corporation and Subsidiaries
For the years ended December 31, 2001, 2000, and 1999
Allowance for Doubtful Accounts, Valuation Allowance for Deferred
Income Tax Assets and Restructuring and Related Charges

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions (a)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts					
1999..........................	$ 401,000	$ 1,245,000	$0	$1,375,000(b)	$ 271,000
2000..........................	271,000	5,824,000	0	2,178,000	3,917,000
2001..........................	3,917,000	5,537,000	0	8,779,000	675,000
Valuation Allowance for Deferred Income Tax Assets					
1999..........................	10,318,000	1,646,000	0	0	11,964,000
2000..........................	11,964,000	20,779,000	0	0	32,743,000
2001..........................	32,743,000	27,272,000	0	0	60,015,000
Restructuring and Related Charges					
2001..........................	0	4,157,000	0	2,268,000	1,889,000

</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. Deductions related to restructuring and related charges represent cash payments.

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

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference from Exhibit 3.1 to Company's Registration on Form S-4 (File No. 333-63535)).
3.2	Amendment to Amended and Restated Certificate of Incorporation (Incorporated by reference from Exhibit 4.1 of the Company's Form 10-Q filed on August 14, 2000).
3.3	Amended and Restated Bylaws of the Company (Incorporated by reference from Exhibit 3.2 to Company's Registration on Form S-4 (File No. 333-63535)).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the 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 on Form S-1 (File No. 333-46685)).
4.3	Form of Vendor Warrant Agreement (Incorporated by reference from Exhibit 4.3 to the Company's Form 10-K filed on March 30, 2000).
10.1	Stock Purchase Agreement dated May 31, 2000 by and among Clarus Corporation, SAI (Ireland)

Limited, SAI Recruitment Limited, i2Mobile.com Limited, SAI America Limited (the "Companies") and the shareholders of the Companies (Incorporated by reference from Exhibit 2.1 of the Company's Form 8-K filed on June 13, 2000).

10.2 Patent License Agreement (Incorporated by reference from Exhibit 10.2 of the Company's Form 10-Q filed on August 14, 2000).

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

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

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

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

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

10.8 2000 Declaration of Amendment to Software Architects International Limited Stock Incentive Plan (Incorporated by reference from Exhibit 2.3 of the Company's Form 8-K filed on June 13, 2000). *

10.9 Employment Agreement between the Company and Stephen P. Jeffery. (Incorporated by reference from Exhibit 10.8 of the Company's Form 10-Q filed on August 14, 2000). *

10.10 Employment Agreement between the Company and Mark D. Gagne (Incorporated by reference from Exhibit 10.9 of the Company's Form 10-Q filed on August 14, 2000). *

10.11 SQL 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)). *

10.12 Lease Agreement between the Company and Technology Park/Atlanta, Inc. dated July 24, 1998 (Incorporated by reference from Exhibit 10.18 of the Company's Form S-4 Registration Statement (File No. 333-63535)).

10.13 Assignment and Assumption of Leases between Technology Park/Atlanta, Inc. and Metropolitan Life Insurance Company dated July 24, 1998 (Incorporated by reference from Exhibit 10.18 of the Company's Form S-4 Registration Statement (File No. 333-63535)).
</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Exhibit
<C>	<S>
10.14	Amendment to 1992 Stock Option Plan. (Incorporated by reference from Exhibit 10.2 of the Company's Form 10-K filed on March 30, 2000). *
10.15 **	Employment Agreement between the Company and Steven M. Hornyak (Incorporated by reference from Exhibit 10.1 of the Company's Form 10-Q filed on August 10, 2001).*
10.16	Employment Agreement between the Company and Sean Feeney. *
10.17 ***	Separation Agreement between the Company and Michael W. Mattox. *
10.18	Employment Agreement between the Company and Craig W. Potts. *
16.1	Letter from Arthur Andersen LLP (Incorporated by reference from Exhibit 16.1 of the Company's current report on Form 8-K filed on June 12, 2000).
21.1	List of Subsidiaries.
23.1	Consent of KPMG LLP.
23.2	Consent of Arthur Andersen LLP.
99.1	Independent Auditors' Report of KPMG LLP on Financial Statement Schedule.

99.2 Report of Independent Public Accountants, Arthur Andersen LLP, on Financial Statement
Schedule.
</TABLE>

- --------

* Management contract or compensatory plan or arrangement.

** Certain information in this Exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been granted with respect to the omitted portions.

*** Certain information in this Exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.16

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made effective as of the 15th day of August, 2001, by and between Clarus Corporation, a Delaware corporation (the "Company") and Sean E. Feeney, a Georgia resident, ("Employee").

WHEREAS, the Company desires to employ the Employee, and Employee desires to accept such employment with the Company; and

WHEREAS, the Company and Employee desire to set forth in writing all of the covenants, terms and conditions of their agreement and understanding as to such employment.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Employment and Duties. The Company hereby employs Employee, and Employee hereby accepts employment, as its Chief Operating Officer. Employee agrees to serve in such capacity and to faithfully and diligently perform such duties, responsibilities and services that are incidental thereto, as well as such other duties, responsibilities and services as may be prescribed or requested by the Chief Executive Officer of the Company from time to time. Employee shall devote his full time, attention and best efforts to the performance of his duties, responsibilities and services to the Company in a lawful manner and in accordance with all policies of and instructions from the Company.

2. Term. The term of this Agreement will commence on the date set forth above and will terminate one (1) year thereafter, unless said Agreement is terminated at an earlier date as provided herein. The Agreement shall automatically renew for identical and successive one (1) year term(s) unless either party notifies the other of its intention not to renew the Agreement at least 30 days prior to the expiration of the one year term then in effect; provided, however, that all post-termination obligations under Sections 5, 6 and 7 shall survive termination or expiration of this Agreement as provided herein.

3. Compensation and Employee Benefits.

(a) Compensation. Employee shall receive an annualized salary (the "Base Salary") of Two Hundred Thousand Dollars ($200,000.00), which shall be paid in accordance with the Company's regular payroll practices and subject to any and all withholdings pursuant to applicable law.

Employee is also eligible to receive additional annualized incentive compensation of up to $100,000 per year if the Company meets the revenue, expense and profitability targets and the Employee attains specified management business objectives as determined by the Company's Chief Executive Officer and which shall be attached as Exhibit "A," hereto. The Employee's right to receive incentive compensation hereunder will be measured on a quarterly basis and, if earned, will be payable quarterly.

(b) Employee/Fringe Benefits. Employee shall be eligible to participate in all employee benefit programs and fringe benefits (including, but not limited to, medical, dental, vision, life, accidental death and dismemberment, travel, accident and short-term/long-term disability insurance plans or programs, paid time-off, paid holidays, etc.) generally made available to executive employees of the Company, subject to any and all terms, conditions, and eligibility requirements for said programs and benefits, as may from time to time be prescribed by the Company. The Company may alter, modify, add to or delete its employee benefit plans at any time as it determines in its sole discretion.

(c) Other Business Expenses. The Company shall reimburse Employee for his actual out-of-pocket, business expenses that are incurred by Employee and are reasonable and necessary in relation to and in furtherance of Employee's performance of his duties to the Company. Such reimbursement shall be subject to compliance with the Company's reimbursement policies and the provision of substantiating documents of said expenses as may be reasonably requested by the Company.

(d) Vacation. Employee shall be entitled to twenty-four (24) days Paid Time Off (PTO) per year (which includes vacation, illness and other personal time away from work) as well as seven (7) days of paid holiday in accordance with the Company's normal policies; provided, that vacation shall be taken at such times as shall not unreasonably interfere with the Employee's responsibilities hereunder. Up to five (5) days of unused PTO may be carried forward from one year into the next.

4. Termination. This Agreement may be terminated prior to the expiration of the term as follows:

(a) Death or Disability. The Employee's employment hereunder shall terminate automatically upon Employee's death. In such event, Employee's estate shall be entitled to receive any earned and unpaid Base Salary, prorated through the date of death. If the Employee is prevented from performing his material duties hereunder as a result of physical or mental illness, injury or incapacity for either (i) a period of ninety (90) consecutive days or (ii) more than one hundred-eighty (180) days in the aggregate in any twelve (12) month period, then the Company may terminate the Employee's employment upon written notice to Employee. While receiving disability income payments under the Company's disability income plan, the Employee shall not be entitled to receive any Base Salary hereunder, but shall continue to participate in the Company's benefit plans, to the extent permitted by such plans, until the termination of his employment.

(b) For Cause. The Company may terminate the Employee's employment hereunder for Cause at any time upon notice to the Employee setting forth in reasonable detail the nature of such Cause. In the event that the Company terminates Employee's employment for Cause (or Employee resigns from his employment with the Company), the Company shall not be obligated to pay any salary or other compensation to Employee after the effective date of termination, other than accrued and unpaid Base Salary earned through the date of termination.

(c) Without Cause. In the event the Company terminates this Agreement without Cause, then Employee shall be entitled to (i) severance pay in the form of continuation

of his annualized Base Salary until the earlier of the expiration of the remainder of the one year term then in effect, or a period of six months from the date of such termination, or Employee's earlier commencement of employment with any other entity. Any such severance pay shall be paid in accordance with the Company's regular payroll practices and subject to any and all withholdings pursuant to applicable law, and (ii) a pro rata portion of his incentive bonus, if any, contemplated by Section 3(a) for the quarter in which his employment terminated based upon the number of days in the quarter elapsed prior to such termination. In addition, the Company shall continue to provide, through COBRA or otherwise, medical insurance coverage contemplated by Section 3(c) until the earlier of the expiration of the remainder of the one year term then in effect, or a period of six months following the date of Employee's termination without Cause, or Employee's earlier commencement of employment with any other entity. Payment of the severance benefits set forth herein shall be subject to Employee's continued compliance with the provisions of Section 5 hereof. Notwithstanding anything to the contrary herein, the Company's obligations to under this Section 4(c) shall terminate on the date on which Employee commences new employment. For purposes hereof, the commencement of a full-time position, whether as an employee, consultant or independent contractor shall be deemed to be commencement of "new employment".

(d) Change of Control. The Employee may terminate his employment hereunder at any time during the three (3) month period beginning three (3) months after a Change of Control has occurred by written notice given to the Company. In the event of such termination:

(i) The Company shall continue to pay to the Employee his Base Salary as of the date of the Change of Control for a period of six (6) months from the date of termination or such earlier date on which Employee commences new employment.

(ii) The Company shall pay to the Employee a pro rata portion of his incentive bonus, if any, contemplated by Section 3(a) for the quarter in which his employment terminated based upon the number of days in the quarter elapsed prior to termination.

(iii) The Company shall continue to provide Employee with the medical insurance coverage contemplated by Section 3(c), through COBRA or otherwise, for a period equal to the earlier of (x) six (6) months from the date of termination or (y) Employee's commencement of employment with any other entity.

5. Protective Covenants. Employee is, and will become during the course of employment, intimately familiar with Confidential Information, Trade Secrets, products and services, and other property of the Company. The protection of the Company requires that all such property and information must remain the sole and private property of the Company to be used only for the Company's benefit, not to be disclosed to any other party nor used by Employee against the Company or for the benefit of any other person. Employee shall, upon request of the Company, and without request promptly on termination of employment, deliver all Company Property in Employee's possession or control to the Company. Employee

acknowledges and agrees that title to all Company Property is vested in the Company. In addition, Employee warrants, represents, covenants and agrees, during the term of his employment and for the periods described below, as follows:

(a) Covenant Not to Compete in Certain Ways. By virtue of his position with the Company, Employee shall be given an opportunity to, and shall have an obligation to, participate in strategic planning with respect to competitors of the Company and shall be made privy to the Company's marketing strategy, product development, pricing, timing and other matters specifically designed to address market competition. Employee further acknowledges that the use and/or disclosure by him of such secret information and knowledge would be inevitable in the event Employee were to become engaged by such a competitor in a capacity similar to the capacity in which Employee is employed by the Company. Employee therefore agrees that, for a period of one (1) year following termination of his employment with the Company, he shall not directly or indirectly, within the State of Georgia or within a 100-mile radius of the addresses of the competitors of the Company expressly listed on Exhibit "B" hereto (the "Named Competitors"), become engaged or employed by any Named Competitor in a capacity substantially identical to the functions and duties Employee performs on behalf of the Company. Employee acknowledges that the Named Competitors designated on Exhibit "B" are the key competitors of the Company as of the date hereof. Employee acknowledges and agrees that there are many other entities with whom Employee can profitably use his skills and abilities, including other competitors of the Company, and that it is entirely proper and reasonable for him to agree not to work for the Named Competitors in the prescribed capacity for the prescribed times and within the prescribed locations. The parties agree that Exhibit "B" may be updated and amended from time to time by substituting therefor a modified Exhibit "B" that has been signed by both the Company and Employee, and that the Named Competitors shall thereafter refer to the companies listed on such amended Exhibit "B."

(b) Covenant Not to Solicit Business from Certain Customers. The Employee acknowledges that during the course of his employment by the Company, Employee shall have a duty to, and shall be given an opportunity to, make contact with and strengthen ties with Customers and potential Customers of the Company. The Employee shall not, for a period of two (2) years after termination of his employment with the Company, directly or indirectly, for himself or any other person or entity, solicit any Customer for the purchase or license by such Customer of any product or service competitive with any of the products and services which are offered by the Company within the one-year period preceding termination of Employee's employment.

(c) Covenant Not to Solicit Employees. For a period of two (2) years following the date of termination of his employment with the Company, Employee shall not, directly or indirectly, for himself or any other person or entity, employ, solicit or recommend the employment of any employee of the Company for the purpose of causing such employee to take employment with Employee or any other person or entity until such employee or former employee has ceased to be employed by the Company for a period of six (6) months.

(d) Covenant Not to Disclose Confidential Information or Trade Secrets. Employee shall not disclose to any person whatsoever or use any Trade Secrets or Confidential Information of the Company, other than as necessary in the fulfillment of his duties to the

Company in the course of employment. This paragraph shall be effective during the term of this Agreement and for a period of two (2) years after termination of employment with respect to all Confidential Information, and shall remain in effect with respect to all Trade Secrets so long as such information remains a trade secret under applicable law.

6. Work Product; Inventions.

(a) Ownership by the Company. The Company shall own all right, title and interest in and to all work product developed by Employee in Employee's provision of services to the Company, including without limitation, all preliminary designs and drafts, all other works of authorship, all derivative works and patentable and unpatentable inventions and improvements, all copies of such works in whatever medium such copies are fixed or embodied, and all worldwide copyrights, trademarks, patents or other intellectual property rights in and to such works (collectively the "Work Product"). All copyrightable materials of the Work Product shall be deemed a "work made for hire" for the purposes of U.S. Copyright Act, 17 U.S.C. ss. 101 et seq., as amended.

(b) Assignment and Transfer. In the event any right, title or interest in and to any of the Work Product (including without limitation all worldwide copyrights, trademarks, patents or other intellectual property rights therein) does and shall not vest automatically in and with the Company, Employee agrees to and hereby does irrevocably assign, convey and otherwise transfer to the Company, and the Company's respective successors and assigns, all such right, title and interest in and to the Work Product with no requirement of further consideration from or action by Employee or the Company.

(c) Registration Rights. The Company shall have the exclusive worldwide right to register, in all cases as "claimant" and when applicable as "author," all copyrights in and to any copyrightable element of the Work Product, and file any and all applicable renewals and extensions of such copyright registrations. The Company shall also have the exclusive worldwide right to file applications for and obtain (i) patents on and for any of the Work Product in Employee's name and (ii) assignments for the transfer of the ownership of any such patents to the Company.

(d) Additional Documents. Employee agrees to execute and deliver all documents requested by the Company regarding or related to the ownership and/or other intellectual property rights and registrations specified herein. Employee hereby further irrevocably designates and appoints the Company as Employee's agent and attorney-in-fact to act for and on Employee's behalf and stead to execute, register and file any such assignments, applications, registrations, renewals and extensions and to do all other lawfully permitted acts to further the registration, prosecution and issuance of patents, copyright or similar protections with the same legal force and effect as if executed by Employee.

7. Employee's Obligations Upon Termination. Upon the termination of Employee's employment hereunder for whatever reason, Employee automatically tenders Employee's resignation from any office Employee may hold with the Company, and Employee shall not at any time thereafter represent himself to be connected or to have any connection with the Company or its related entities.

8. Assignment. Due to the personal service nature of Employee's obligations, Employee may not assign this Agreement. Subject to the restrictions in this Section, this Agreement shall be binding upon and benefit the parties hereto, and their respective heirs, successors or assigns.

9. Legality and Severability. The parties covenant and agree that the provisions contained herein are reasonable and are not known or believed to be in violation of any federal, state, or local law, rule or regulation. In the event a court of competent jurisdiction finds any provision herein (or subpart thereof) to be illegal or unenforceable, the parties agree that the court shall modify said provision(s) (or subpart(s) thereof) to make said provision(s) (or subpart(s) thereof) and this Agreement valid and enforceable. Any illegal or unenforceable provision (or subpart thereof), or any modification by any court, shall not affect the remainder of this Agreement, which shall continue at all times to be valid and enforceable.

10. Entire Agreement; Modification; Governing Law. This Agreement constitutes the entire understanding between the parties regarding the subject matters addressed herein and supersedes any prior oral or written agreements between the parties. This Agreement can only be modified by a writing signed by both parties, and shall be interpreted in accordance with and governed by the laws of the State of Georgia without regard to the choice of law provisions thereof. Notwithstanding the foregoing, the protective provisions contained in Paragraph 5 hereof shall be governed and enforced in accordance with the laws of the state in which enforcement of such provisions is sought.

11. Negotiated Agreement. Employee and the Company agree that this Agreement shall be construed as drafted by both of them, as parties of equivalent bargaining power, and not for or against either of them as drafter.

12. Review and Voluntariness of Agreement. Employee acknowledges Employee has had an opportunity to read, review, and consider the provisions of this Agreement, that Employee has in fact read and does understand such provisions, and that Employee has voluntarily entered into this Agreement.

13. Non-Waiver. The failure of the Company to insist upon or enforce strict performance of any provision of this Agreement or to exercise any rights or remedies thereunder will not be construed as a waiver by the Company to assert or rely upon any such provision, right or remedy in that or any other instance.

14. No Conflicting Obligations. Employee hereby acknowledges and represents that Employee's execution of this Agreement and performance of employment-related obligations and duties for the Company as set forth hereunder will not cause any breach, default or violation of any other employment, non-disclosure, confidentiality, non-competition or other agreement to which Employee may be a party or otherwise bound. Employee hereby agrees that he will not use in the performance of his duties for the Company (or otherwise disclose to the Company) any trade secrets or confidential information of any prior employer or other person or entity if and to the extent that such use or

disclosure may cause a breach or violation of any obligation or duty owed to such employer, person, or entity under any agreement or applicable law.

15. Forum; Encorcement. In the event of litigation arising from this
----
Agreement, Employee hereby expressly consents to jurisdiction and venue in any State or Federal Court sitting in Fulton County, State of Georgia, and waives any objections to such jurisdiction and venue. Employee further agrees that if Employee were to breach the provisions of Section 5 or 6 hereof, the Company would be irreparably harmed and therefore, in addition to any other remedies available at law, the Company shall be entitled to equitable relief, including without limitation, specific performance and preliminary and permanent injunction, against any breach or threatened breach of said Sections 5 and 6, without having to post bond.

16. Notices. Any notice or other communications under this Agreement
----
shall be in writing, signed by the party making the same, and shall be delivered personally or sent by certified or registered mail, postage prepaid, addressed as follows:

If to Employee: Sean E. Feeney
8195 High Hampton Chase
Alpharetta, Georgia 30022

If to the Company: Clarus Corporation
3970 Johns Creek Court
Suwanee, Georgia 30024
Attention: President

or to such other address as may hereafter be designated by either party hereto. All such notices shall be deemed given on the date received.

17. Definitions. As used in this Agreement, the following terms shall
----
have the following meanings:

(a) "Cause."

(i) The Employee's repeated failure to perform (other than by reason of disability), or gross negligence in the performance of, his material duties and responsibilities hereunder and the continuance of such failure or negligence for a period of thirty (30) days after notice to the Employee;

(ii) Material breach by the Employee of any provision of this Agreement or any other written agreement between the Employee and the Company or any of its affiliates; and

(iii) Other conduct by the Employee that involves a material violation of law or breach of fiduciary obligation on the part of the Employee or is otherwise materially harmful to the business, interests, reputation or prospects of the Company or any of its affiliates.

(b) "Change of Control" For the purposes herein, a "Change of Control" shall be deemed to have occurred on the earliest of the following dates:

(i) The date any entity or person shall have become the beneficial owner of, or shall have obtained voting control over, (X) fifty-one percent (51%) or more of the outstanding Common Stock of the Company if the Company's stock is not then registered with the SEC and publicly traded or (Y) forty percent (40%) or more of the outstanding Common Stock of the Company if the Company has consummated its initial public offering;

(ii) The date the stockholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any shares of Common Stock of the Company would be converted into cash, securities or other property of another corporation, other than (X) a merger or consolidation of the Company in which holders of Common Stock immediately prior to the merger or consolidation have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger as immediately before and (Y) a merger or consolidation of the Company in which holders of Common Stock immediately prior to the merger or consolidation continue to own at least a majority of the combined voting securities of the Company (or the surviving entity) outstanding immediately after such merger or consolidation, or (B) to sell or otherwise dispose of all or substantially all the assets of the Company; or

(iii) The date there shall have been a change in a majority of the Board of Directors of the Company within a 12-month period unless the nomination for election by the Company's stockholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the 12-month period.

(c) "Company Property." All property, including, without limitation, real, personal, tangible or intangible, including all computer programs, electronic data, educational or instructional materials, inventions, Confidential Information, Trade Secrets, facilities, trade names, logos, patents, copyrights and all tangible materials and supplies (whether originals or duplicates and including, but not in any way limited to, computer diskettes, brochures, materials, sample products, video tape cassettes, film, catalogs, books, records, manuals, sales presentation literature, training materials, calling or business cards, customer records, customer files, customer names, addresses and phone numbers, directives, correspondence, documents, contracts, orders, messages, memoranda, notes, circulars, agreements, bulletins, invoices and receipts), which in any way pertain to the Company's business, whether furnished to Employee by the Company or prepared, compiled or acquired by Employee while employed by the Company, all being the sole property of the Company.

(d) "Confidential Information." All information or material regarding the Company's business that has or could have commercial value or other utility in the business in which the Company is engaged or contemplates engaging, or information which if disclosed without authorization could be detrimental to the business of the Company, including, but not limited to, its business plans, marketing plans, methods of operation, products, software programs, documentation of computer programs, programming procedures, algorithms,

formulas, equipment, techniques, existing and contemplated services, inventions, systems, devices (whether or not patentable), financial information and practices, plans, pricing, selling and marketing techniques, proposals or bids for actual or potential customers, names, addresses and phone numbers of the Company's customers, credit information and financial data of the Company and the Company's customers, particular business requirements of the Company's customers, and special methods and processes involved in designing, producing and selling the Company's products and services, all shall be deemed Confidential Information and the Company's exclusive property; provided, however, that Confidential Information shall not include information that has entered the public domain other than through the actions of Employee. Confidential Information shall also include the foregoing types of information with respect to all affiliates of the Company.

(e) "Customer." Customer means any customer or prospective customer of the Company with whom Employee had Material Contact during the twelve (12) months immediately preceding the termination of the Employee's employment with the Company.

(f) "Material Contact." Material Contact means interaction between the Employee and the customer or potential customer which takes place in an effort to further the business relationship, and shall be deemed to exist between the Employee and each customer or potential customer of the Company with whom the Employee dealt; whose dealings with the Company were coordinated or supervised by the Employee; or about whom the Employee obtained and used confidential information in the ordinary course of business as a result of such Employee's association with the Company.

(g) "Trade Secrets." All information, including, but not limited to, technical or non-technical data, formulas, patterns, programs, devices, methods, processes, financial data, product plans or a list of actual or potential customers or suppliers, which derives economic value from not being generally known and which is the subject of reasonable efforts by the Company to maintain its secrecy.

[EXECUTION SET FORTH ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their hands and seals as of the date first above written.

THE COMPANY:

CLARUS CORPORATION

By: /s/ Stephen P. Jeffery

Stephen P. Jeffery, Chief Executive Officer

EMPLOYEE:

/s/ Sean E. Feeney

Sean E. Feeney

EXHIBIT "A"

[Not Completed]

EXHIBIT "B"

List of Competitors Pursuant to Section 5 of Agreement

Name	Address
1. Ariba Corporation	1565 Charleston Road Mountain View, CA 94043

600 Northpark Town Center
1200 Abernathy Road
Atlanta, GA 30328

and

Jamboree Center
One Plaza Park, Suite 600
Irvine, CA 92614

2. Commerce One CarrAmerica Corporate Center
Buildings #1 & #4
4440 Rosewood Drive
Pleasanton, CA 94588

and

999 Peachtree Street, Suite 140
Atlanta, GA 30309
U.S.A.

3. Purchase Pro 3291 North Buffalo Drive
Las Vegas, Nevada 89129

4. i2 Technologies Inc. One i2 Place
11701 Luna Rd.
Dallas, Texas 75234

and

5575 North Service Rd., 4th Floor
Burlington, Ontario Canada L7L6M1

5. Vertical Net 700 Dresher Rd., Suite 100
Horsham, PA 19044

and

147 Wyndham St. N, Suite 304
Guleph, Ontario Canada N1H HE9

6. People Soft 4460 Hacienda Dr.
Pleasanton, California 94588

and

6400 Atlantic Blvd., Suite 130
Norcross, Georgia 30093

and

3353 Peachtree Rd. NE, Suite 600
Atlanta, Georgia 30326

and

4101 Yonge St., Suite 600
Toronto, Ontario, Canada M2P 1N6

7. SAP 3999 Westchester Pike
Newton Square, PA

and

5555 Glenridge Connector NE
Atlanta, Georgia 30350

and

140 Churchill Dr.
Atlanta, Georgia 30350

and

847 Moreland Ave. SE
Atlanta, Georgia 30316

Printed Name of Employee:

Sean E. Feeney

/s/ Sean E. Feeney
- --
Signature of Employee

Effective Date: August 15, 2001

CLARUS CORPORATION

By: /s/ Stephen P. Jeffery

Stephen P. Jeffery, Chief Executive Officer

Effective Date: August 15, 2001

Exhibit 10.17

NOTE: PORTIONS OF THIS EXHIBIT INDICATED BY "[****]" ARE SUBJECT TO A CONFIDENTIAL TREATMENT REQUEST UNDER RULE 406 OF THE SECURITIES ACT OF 1933 AND RULE 24b-2 0F THE SECURITIES EXCHANGE ACT OF 1934, AND HAVE BEEN OMITTED FROM THIS EXHIBIT. COMPLETE, UNREDACTED COPIES OF THIS EXHIBIT HAVE BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AS PART OF THIS COMPANY'S CONFIDENTIAL TREATMENT REQUEST.

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT ("Agreement") is entered into and made effective
----
as of the 3rd day of October, 2001 between Clarus Corporation, a Delaware corporation ("Company"), and Michael W. Mattox, a resident of the State of
----
Georgia ("Employee") (collectively, the "Parties").
-------- -------

WHEREAS, Employee's employment by the Company has terminated by mutual agreement effective October 3, 2001; and

WHEREAS, the Parties desire to amicably resolve any and all matters that exist or may exist between them (including those regarding any and all aspects of the aforementioned employment relationship) and to set forth those terms and conditions herein.

NOW THEREFORE, in consideration of the foregoing, the payment set forth below, the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. Payment to Employee. The Parties acknowledge that the employment of the
----
Employee with the Company has terminated effective as of October 3, 2001. In connection with such termination, the Parties acknowledge that Employee has resigned his positions as Corporate Secretary and Compliance Officer for the Company as of the date hereof. The Company agrees to pay Employee the equivalent of his current base salary for a six (6) month period, payable in [****] and shall be subject to any and all withholdings pursuant to applicable law, and, at the election of the Employee, will be directly deposited into an account designated by Employee or will be mailed to Employee at his most recent home address as reflected by the Company's personnel/payroll files. Company will reimburse Employee for expenses incurred in connection with the performance of Employee's duties to the Company prior to the date hereof and will pay to Employee all amounts owing to Employee under the Company's policies for unused Paid Time Off. Additionally, the Company agrees to continue its current Directors and Officers insurance coverage or similar coverage.

2. Employee Benefits. The Parties understand and agree that effective as
----
of October 3, 2001, all of Employee's benefits have terminated, subject only to any notice and continuation requirements established by applicable law. Notwithstanding the foregoing, the Parties acknowledge that Employee may elect to continue under COBRA the medical, dental, and/or other health insurance coverage(s) in which Employee is enrolled as of the date hereof, and the Company will continue to pay that portion of the premiums therefor which is currently paid by the Company until the earlier of (a) April 3, 2002, or (b) the

last day of the month in which Employee becomes enrolled and insured under new insurance coverage. To the extent that the right to exercise any stock options granted to the Employee has vested on or prior to the date hereof, such options may be exercised to the extent and in the manner provided in the Stock Option Agreement and Stock Incentive Plan with respect thereto, [****]

3. Release and Waiver. Employee hereby irrevocably and unconditionally
    ----
releases and forever discharges the Company and each of its employees, agents, directors, officers, shareholders, partners, trustees, predecessors or successors in interest, assigns, attorneys, representatives, and those companies affiliated with or related to the Company or such aforementioned individuals of the Company (and all persons acting by, through, under, or in concert with any of them) from any and all claims, complaints, demands, rights, actions, causes of action of any and every kind, damages, losses, liabilities, obligations, and costs/expenses of any and every kind, whether known or unknown, foreseen or unforeseen, direct or indirect, fixed or contingent, suspected or unsuspected, and whether or not liquidated, that may have existed or accrued or which is based on any action, fact, occurrence or omission at any time on or before the execution of this Agreement. Company hereby irrevocably and unconditionally releases and forever discharges the Employee from any and all claims, complaints, demands, rights, actions, causes of action of any and every kind, damages, losses, liabilities, obligations, and costs/expenses of any and every kind, whether known or unknown, foreseen or unforeseen, direct or indirect, fixed or contingent, suspected or unsuspected, and whether or not liquidated, that may have existed or accrued or which is based on any action, fact, occurrence or omission at any time on or before the execution of this Agreement. Specifically, Employee acknowledges that he has released all claims or potential claims that may have arisen from or were related to:

(a) Employee's employment with the Company;
(b) the cessation of Employee's employment with the Company;
(c) salary, pay, compensation, commissions/incentive compensation, bonuses of any kind, severance pay, insurance, stock awards and options, employee benefits and/or plans, relocation and other business expenses;
(d) any contract, tort, wrongful or constructive discharge or workers' compensation theory;
(e) relating to any alleged violation of or alleged harassment or discrimination on the basis of sex (gender), race, age, color, religion, disability/handicap, national origin, or "protected activity" under the National Labor Relations Act, as amended, Title VII of the Civil Rights Act of 1964 as amended, 42 U.S.C. (S) 2000(e) et seq., the Civil Rights Act of 1991, Section 1981 of the Civil Rights Act of 1866, as amended, the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act, the Equal Pay Act, the Family and Medical Leave Act (FMLA), 29 U.S.C. (S) 2611 et seq., Executive Order 11246, the Employee

Retirement Income Security Act of 1974 (ERISA), the Veterans' Reemployment Rights Act, 38 U.S.C. (S)(S) 22021-26, the Fair Labor Standards Act, or the Occupational Safety and Health Act, including any amendments and/or revisions to those laws, and any other similar federal, state, or local anti-discrimination laws;
(f) any other terms and conditions of employment, any employment practices related thereto, or any contract with or contractual obligation of the Company.

The Employee and the Company each hereby covenants not to sue the other party (or any other person or entity listed above) on account of any claim released hereby.

4. Confidentiality. Employee acknowledges and agrees to keep the existence
    ----
and terms of this Agreement strictly confidential. Employee further agrees not in any way to reference, use, publish, distribute, or disclose any information or document regarding this Agreement or any of its contents or terms to any entity or person whatsoever (including any current or former employees of the Company), unless compelled by a court of competent jurisdiction.

5. No Admission of Liability. No part of this Agreement or any action on

----
the part of either Party in resolving this matter with the other Party shall be considered or shall constitute an admission by said Party of any wrongful conduct or violation of any law or that said Party was at any time entitled to relief for any action or conduct of the other Party (or any agent or employee thereof). The Parties further agree that they continue by this Agreement to maintain and affirm that their respective conduct (and that of any agent or employee) has not been in any way wrongful or in violation of any law. The Parties also agree that the actions agreed to be undertaken in this Agreement, as well as the fact of resolution itself, shall not have any precedential effect whatsoever.

6. Non-Disparagement and Reference. Employee agrees that he shall not
----
undertake any disparaging or harassing conduct directed at the Company and/or its directors, managers, supervisors, employees, agents, predecessors/successors/assigns, or their respective products/services and that he shall refrain from making any disparaging or harassing statements concerning such entities, individuals, or products/services to any third party. Company agrees that it shall not undertake any disparaging or harassing conduct directed at Employee and that it shall refrain from making any disparaging or harassing statements concerning the Employee to any third party.

Employee and the Company will mutually agree upon a statement for both internal and external inquiries concerning Employee's departure from the Company. If requested, the Company agrees to provide a positive reference for the Employee which shall contain, at a minimum, information that confirms dates and duration of employment in addition to salary and position held upon separation of employment.

7. Affirmation of Protective Covenants. Employee affirms that he remains
----
bound by and agrees that he shall fully comply with all post-termination covenants and obligations contained in the Non-Solicitation and Non-Disclosure Agreement executed contemporaneously with your employment with the Company (the "NDA") which Employee acknowledges, by the terms thereof, survive the cessation and termination of Employee's employment with the Company. All such obligations and covenants contained in said NDA are hereby incorporated by express reference as if fully set forth herein.

8. Return of Company Property. Employee acknowledges that he has
----
returned to the Company all Company property that he has received in the course of his employment, including but not limited to all confidential information and materials, computer or computer-related equipment and software, office equipment and supplies, files and records, credit cards, keys, and any other computer property in his possession. Specifically, Employee has returned his laptop computer to the Company prior to the execution of this Agreement.

9. Legality and Severability. The Parties covenant and agree that the
----
provisions contained herein are reasonable and are not known or believed to be in violation of any federal, state, or local law, rule or regulation. In the event a court of competent jurisdiction finds any provision herein (or subpart thereof) to be illegal or unenforceable, the Parties agree that the court shall modify said provision(s) (or subpart(s) thereof) to make said provision(s) (or subpart(s) thereof) and this Agreement valid and enforceable. Any illegal or unenforceable provision (or subpart thereof), or any modification by any court, shall not affect the remainder of this Agreement, which shall continue at all times to be valid and enforceable.

10. Entire Agreement; Modification; Governing Law. This Agreement
----
(including the continuing and surviving covenants or obligations contained in said NDA that have been incorporated by express reference as if fully set forth herein pursuant to Paragraph 7 above) constitutes the entire understanding between the Parties regarding the subject matters addressed

herein and supersedes any prior oral or written agreements between the Parties. This Agreement can only be modified by a writing signed by both Parties, and shall be interpreted in accordance with and governed by the laws of the State of Georgia without regard to the choice of law provisions thereof. Notwithstanding the foregoing, said continuing and surviving covenants and obligations contained in Paragraph 7 hereof and the NDA shall be governed and enforced in accordance with the laws of the state in which enforcement of such provisions is sought.

11. Negotiated Agreement. Employee and the Company agree that this
    ----
Agreement shall be construed as drafted by both of them, as parties of equivalent bargaining power, and not for or against either of them as drafter.

12. Review and Voluntariness of Agreement. Employee acknowledges Employee
    ----
has had an opportunity to read, review, and consider the provisions of this Agreement,

that Employee has in fact read and does understand such provisions, and that Employee has voluntarily entered into this Agreement.

13. Attorneys' Fees; Repayment. In the event that either Party breaches
    ----
this Agreement and the other Party successfully prevails in a claim or action against said Party regarding such breach, the non-prevailing Party in any such claim or action shall pay, in addition to such sums as may be due or such other relief (including any appropriate injunctive relief) to which the prevailing Party may be entitled, reasonable attorneys' fees and related costs of the prevailing Party as to such claim or action. Furthermore, and without limiting any right or remedy available to the Company, Employee agrees that should he breach this Agreement, the Company shall be relieved of any obligation to provide the aforementioned consideration/compensation.

14. Preamble Incorporation. All of the warranties and representations in
    ----
the preamble of this Agreement are hereby incorporated into and made a material part of this Agreement.

15. Non-Waiver. The failure of the Employee or the Company to insist upon
    ----
or enforce strict performance of any provision of this Agreement or to exercise any rights or remedies thereunder will not be construed as a waiver by such party to assert or rely upon any such provision, right or remedy in that or any other instance.

16. Forum; Enforcement. In the event of litigation arising from this
    ----
Agreement, Employee and Company each hereby expressly consents to jurisdiction and venue in any State Court sitting in Gwinnett County, State of Georgia, and waives any objections to such jurisdiction and venue. Employee further agrees that if Employee were to breach the provisions of Paragraph 7 hereof or the NDA, the Company would be irreparably harmed and therefore, in addition to any other remedies available at law, the Company shall be entitled to equitable relief, including without limitation, specific performance and temporary, preliminary, and/or permanent injunctive relief, against any breach or threatened breach thereof, without having to post bond.

17. Employee Review Period. Employee further acknowledges that he is
    ----
hereby advised in writing to consult an attorney about this Agreement prior to its execution. He also acknowledges that he may have twenty-one (21) days from receipt of this Agreement to review and consider this Agreement before signing it, that he may use as much of this twenty-one (21) day period as he wishes prior to signing, and that signing the Agreement shall constitute a waiver of any remaining balance of the twenty-one (21) waiting

period. Employee also understands that he may revoke this Agreement within seven (7) days from the date on which this document is executed by him and that this Agreement is not effective or enforceable until such revocation period has expired. Revocation may be made by delivering a written notice of revocation to Stephen P. Jeffery, at Clarus Corporation. For this revocation to be effective, such written notice must be received by the Company no later than the close of business on the seventh day after Employee signs this Agreement. If Employee revokes this Agreement, it shall not be enforceable or

effective, he will not receive the benefits described in this Agreement, and, to the extent that any such benefit has already been received, it shall be returned to the Company within one (1) business day of said revocation without offset of any kind.

In Witness Whereof, the Parties have read, understand, and do voluntarily execute this Separation Agreement.

EMPLOYEE:

/s/ Michael W. Mattox

Michael W. Mattox

Date: 10/3/01

COMPANY:

Clarus Corporation

By: /s/ Stephen P. Jeffery

Stephen P. Jeffery

Date: 10/3/01

Exhibit 10.18

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made effective as of the 10th day of December, 2001, by and between Clarus Corporation, a Delaware corporation (the "Company") and Craig W. Potts, a Georgia resident, ("Employee").

WHEREAS, the Company desires to employ the Employee, and Employee desires to accept such employment with the Company; and

WHEREAS, the Company and Employee desire to set forth in writing all of the covenants, terms and conditions of their agreement and understanding as to such employment.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Employment and Duties. The Company hereby employs Employee, and Employee hereby accepts employment, as its Vice President of Sales. Employee agrees to serve in such capacity and to faithfully and diligently perform such duties, responsibilities and services that are incidental thereto, as well as such other duties, responsibilities and services as may be prescribed or requested by the Chief Operating Officer of the Company from time to time. Employee shall devote his full time, attention and best efforts to the performance of his duties, responsibilities and services to the Company in a lawful manner and in accordance with all policies of and instructions from the Company.

2. Term. The term of this Agreement will commence on the date set forth above and will terminate one (1) year thereafter, unless said Agreement is terminated at an earlier date as provided herein. The Agreement shall automatically renew for identical and successive one (1) year term(s) unless either party notifies the other of its intention not to renew the Agreement at least 30 days prior to the expiration of the one year term then in effect; provided, however, that all post-termination obligations under Sections 5, 6 and 7 shall survive termination or expiration of this Agreement as provided herein.

3. Compensation and Employee Benefits.

(a) Compensation. Employee shall receive an annualized salary (the "Base Salary") of Two Hundred Thousand Dollars ($200,000.00), which shall be paid in accordance with the Company's regular payroll practices and subject to any and all withholdings pursuant to applicable law. For the first two quarters of employment, the company will guarantee bonus payments of $25,000 per quarter to employee.

Employee is also eligible to receive additional annualized incentive compensation of up to $225,000 per year if the employee meets the targets as determined by the Company's Chief Operating Officer and which shall be attached as Exhibit "A," hereto. The Employee can receive a greater amount of incentive compensation based on exceeding set targets in Exhibit A.

The Employee's right to receive incentive compensation hereunder will be measured on a quarterly basis and, if earned, will be payable quarterly.

The company will provide 100,000 stock options at the current fair market value at the start of employment. These options will vest at 25% after the first year and monthly thereafter. Unvested stock options will immediately vest at 50% upon change of control. Company agrees to put in place a stock option incentive plan for 2002 sales results that exceed agreed upon "stretch" revenue targets. This is to be accomplished as part of the 2002 incentive compensation plan.(b) Employee/Fringe Benefits. Employee shall be eligible to participate in all employee benefit programs and fringe benefits (including, but not limited to, medical, dental, vision, life, accidental death and dismemberment, travel, accident and short-term/long-term disability insurance plans or programs, paid time-off, paid holidays, etc.) generally made available to executive employees of the Company, subject to any and all terms, conditions, and eligibility requirements for said programs and benefits, as may from time to time be prescribed by the Company. The Company may alter, modify, add to or delete its employee benefit plans at any time as it determines in its sole discretion.

(c) Other Business Expenses. The Company shall reimburse Employee for his actual out-of-pocket, business expenses that are incurred by Employee and are reasonable and necessary in relation to and in furtherance of Employee's performance of his duties to the Company. Such reimbursement shall be subject to compliance with the Company's reimbursement policies and the provision of substantiating documents of said expenses as may be reasonably requested by the Company.

(d) Vacation. Employee shall be entitled to twenty-four (24) days Paid Time Off (PTO) per year (which includes vacation, illness and other personal time away from work) as well as seven (7) days of paid holiday in accordance with the Company's normal policies; provided, that vacation shall be taken at such times as shall not unreasonably interfere with the Employee's responsibilities hereunder. Up to five (5) days of unused PTO may be carried forward from one year into the next.

4. Termination. This Agreement may be terminated prior to the expiration of the term as follows:

(a) Death or Disability. The Employee's employment hereunder shall terminate automatically upon Employee's death. In such event, Employee's estate shall be entitled to receive any earned and unpaid Base Salary, prorated through the date of death. If the Employee is prevented from performing his material duties hereunder as a result of physical or mental illness, injury or incapacity for either (i) a period of ninety (90) consecutive days or (ii) more than one hundred-eighty (180) days in the aggregate in any twelve (12) month period, then the Company may terminate the Employee'semployment upon written notice to Employee. While receiving disability income payments under the Company's disability income plan, the Employee shall not be entitled to receive any Base Salary hereunder, but shall continue to participate in the Company's benefit plans, to the extent permitted by such plans, until the termination of his employment.

(b) For Cause. The Company may terminate the Employee's employment hereunder for Cause at any time upon notice to the Employee setting forth in reasonable detail the nature of such Cause. The Company shall first give Employee written notice of such intent, detailed and specific description of the reasons and basis therefore, and thirty (30) days to remedy or cure the deficiency. In the event that the Company terminates Employee's employment for Cause (or Employee resigns from his employment with the Company), the Company shall not be obligated to pay any salary or other compensation to Employee after the effective date of termination, other than accrued and unpaid Base Salary earned through the date of termination.

(c) Without Cause. In the event the Company terminates this Agreement without Cause, then Employee shall be entitled to (i) severance pay in the form of continuation of his annualized Base Salary until the earlier of the expiration of the remainder of the one year term then in effect, or a period of six months from the date of such termination, or Employee's earlier commencement of employment with any other entity. Any such severance pay shall be paid in accordance with the Company's regular payroll practices and subject to any and all withholdings pursuant to applicable law, and (ii) a pro rata portion of his incentive bonus, if any, contemplated by Section 3(a) for the quarter in which his employment terminated based upon the number of days in the quarter elapsed prior to such termination. In addition, the Company shall continue to provide, through COBRA or otherwise, medical insurance coverage contemplated by Section

3(c) until the earlier of the expiration of the remainder of the one year term then in effect, or a period of six months following the date of Employee's termination without Cause, or Employee's earlier commencement of employment with any other entity. Payment of the severance benefits set forth herein shall be subject to Employee's continued compliance with the provisions of Section 5 hereof. Notwithstanding anything to the contrary herein, the Company's obligations to under this Section 4(c) shall terminate on the date on which Employee commences new employment. For purposes hereof, the commencement of a full-time position, whether as an employee, consultant or independent contractor shall be deemed to be commencement of "new employment".

(d) Change of Control. The Employee may terminate his employment hereunder at any time during the three (3) month period beginning three (3) months after a Change of Control has occurred by written notice given to the Company. In the event of such termination:

(i) The Company shall continue to pay to the Employee his Base Salary as of the date of the Change of Control for a period of six (6) months from the date of termination or such earlier date on which Employee commences new employment.

(ii) The Company shall pay to the Employee a pro rata portion of his incentive bonus, if any, contemplated by Section 3(a) for the quarter in which his employment terminated based upon the number of days in the quarter elapsed prior to termination.

(iii) The Company shall continue to provide Employee with the medical insurance coverage contemplated by Section 3(c), through COBRA or otherwise,

for a period equal to the earlier of (x) six (6) months from the date of termination or (y) Employee's commencement of employment with any other entity.

5. Protective Covenants. Employee is, and will become during the course of
----
employment, intimately familiar with Confidential Information, Trade Secrets, products and services, and other property of the Company. The protection of the Company requires that all such property and information must remain the sole and private property of the Company to be used only for the Company's benefit, not to be disclosed to any other party nor used by Employee against the Company or for the benefit of any other person. Employee shall, upon request of the Company, and without request promptly on termination of employment, deliver all Company Property in Employee's possession or control to the Company. Employee acknowledges and agrees that title to all Company Property is vested in the Company. In addition, Employee warrants, represents, covenants and agrees, during the term of his employment and for the periods described below, as follows:

(a) Covenant Not to Compete in Certain Ways. By virtue of his position with the Company, Employee shall be given an opportunity to, and shall have an obligation to, participate in strategic planning with respect to competitors of the Company and shall be made privy to the Company's marketing strategy, product development, pricing, timing and other matters specifically designed to address market competition. Employee further acknowledges that the use and/or disclosure by him of such secret information and knowledge would be inevitable in the event Employee were to become engaged by such a competitor in a capacity similar to the capacity in which Employee is employed by the Company. Employee therefore agrees that, for a period of six months following termination of his employment with the Company, he shall not directly or indirectly, within the State of Georgia or within a 100-mile radius of the addresses of the competitors of the Company expressly listed on Exhibit "B" hereto (the "Named Competitors"), become
----
engaged or employed by any Named Competitor in a capacity substantially identical to the functions and duties Employee performs on behalf of the Company. Employee acknowledges that the Named Competitors designated on Exhibit
----
"B" are the key competitors of the Company as of the date hereof. Employee
- ---

acknowledges and agrees that there are many other entities with whom Employee can profitably use his skills and abilities, including other competitors of the Company, and that it is entirely proper and reasonable for him to agree not to work for the Named Competitors in the prescribed capacity for the prescribed times and within the prescribed locations. The parties agree that Exhibit "B" may be updated and amended from time to time by substituting therefor a modified Exhibit "B" that has been signed by both the Company and Employee, and that the Named Competitors shall thereafter refer to the companies listed on such amended Exhibit "B."

(b) Covenant Not to Solicit Business from Certain Customers. The Employee acknowledges that during the course of his employment by the Company, Employee shall have a duty to, and shall be given an opportunity to, make contact with and strengthen ties with Customers and potential Customers of the Company. The Employee shall not, for a period of one year after termination of his employment with the Company, directly or indirectly, for himself or any other person or entity, solicit any Customer for the purchase or license by such Customer of any product or service competitive with any of the products and services which are

offered by the Company within the one-year period preceding termination of Employee's employment.

(c) Covenant Not to Solicit Employees. For a period of one year, unless agreed to by the CEO of Clarus, two (2) years (maybe we change this to 1 year and also suggest that Employee may solicit before that time if Company is made aware and agrees) following the date of termination of his employment with the Company, Employee shall not, directly or indirectly, for himself or any other person or entity, employ, solicit or recommend the employment of any employee of the Company for the purpose of causing such employee to take employment with Employee or any other person or entity until such employee or former employee has ceased to be employed by the Company for a period of six (6) months.

(d) Covenant Not to Disclose Confidential Information or Trade Secrets. Employee shall not disclose to any person whatsoever or use any Trade Secrets or Confidential Information of the Company, other than as necessary in the fulfillment of his duties to the Company in the course of employment. This paragraph shall be effective during the term of this Agreement and for a period of two (2) years after termination of employment with respect to all Confidential Information, and shall remain in effect with respect to all Trade Secrets so long as such information remains a trade secret under applicable law.

6. Work Product; Inventions.

(a) Ownership by the Company. The Company shall own all right, title and interest in and to all work product developed by Employee in Employee's provision of services to the Company, including without limitation, all preliminary designs and drafts, all other works of authorship, all derivative works and patentable and unpatentable inventions and improvements, all copies of such works in whatever medium such copies are fixed or embodied, and all worldwide copyrights, trademarks, patents or other intellectual property rights in and to such works (collectively the "Work Product"). All copyrightable materials of the Work Product shall be deemed a "work made for hire" for the purposes of U.S. Copyright Act, 17 U.S.C. ss. 101 et seq., as amended.

(b) Assignment and Transfer. In the event any right, title or interest in and to any of the Work Product (including without limitation all worldwide copyrights, trademarks, patents or other intellectual property rights therein) does and shall not vest automatically in and with the Company, Employee agrees to and hereby does irrevocably assign, convey and otherwise transfer to the Company, and the Company's respective successors and assigns, all such right, title and interest in and to the Work Product with no requirement of further consideration from or action by Employee or the Company.

(c) Registration Rights. The Company shall have the exclusive worldwide right to register, in all cases as "claimant" and when applicable as "author," all copyrights in and to any copyrightable element of the Work Product, and file any and all applicable renewals and extensions of such copyright registrations. The Company shall also have the exclusive worldwide right to file applications for and obtain (i) patents on and for any of the Work Product in

Employee's name and (ii) assignments for the transfer of the ownership of any such patents to the Company.

(d) Additional Documents. Employee agrees to execute and deliver all documents requested by the Company regarding or related to the ownership and/or other intellectual property rights and registrations specified herein. Employee hereby further irrevocably designates and appoints the Company as Employee's agent and attorney-in-fact to act for and on Employee's behalf and stead to execute, register and file any such assignments, applications, registrations, renewals and extensions and to do all other lawfully permitted acts to further the registration, prosecution and issuance of patents, copyright or similar protections with the same legal force and effect as if executed by Employee.

7. Employee's Obligations Upon Termination. Upon the termination of
----
Employee's employment hereunder for whatever reason, Employee automatically tenders Employee's resignation from any office Employee may hold with the Company, and Employee shall not at any time thereafter represent himself to be connected or to have any connection with the Company or its related entities.

8. Assignment. Due to the personal service nature of Employee's
----
obligations, Employee may not assign this Agreement. Subject to the restrictions in this Section, this Agreement shall be binding upon and benefit the parties hereto, and their respective heirs, successors or assigns.

9. Legality and Severability. The parties covenant and agree that the
----
provisions contained herein are reasonable and are not known or believed to be in violation of any federal, state, or local law, rule or regulation. In the event a court of competent jurisdiction finds any provision herein (or subpart thereof) to be illegal or unenforceable, the parties agree that the court shall modify said provision(s) (or subpart(s) thereof) to make said provision(s) (or subpart(s) thereof) and this Agreement valid and enforceable. Any illegal or unenforceable provision (or subpart thereof), or any modification by any court, shall not affect the remainder of this Agreement, which shall continue at all times to be valid and enforceable.

10. Entire Agreement; Modification; Governing Law. This Agreement
----
constitutes the entire understanding between the parties regarding the subject matters addressed herein and supersedes any prior oral or written agreements between the parties. This Agreement can only be modified by a writing signed by both parties, and shall be interpreted in accordance with and governed by the laws of the State of Georgia without regard to the choice of law provisions thereof. Notwithstanding the foregoing, the protective provisions contained in Paragraph 5 hereof shall be governed and enforced in accordance with the laws of the state in which enforcement of such provisions is sought.

11. Negotiated Agreement. Employee and the Company agree that this
----
Agreement shall be construed as drafted by both of them, as parties of equivalent bargaining power, and not for or against either of them as drafter.

12. Review and Voluntariness of Agreement. Employee acknowledges Employee

----
has had an opportunity to read, review, and consider the provisions of this Agreement, that Employee has in fact read and does understand such provisions, and that Employee has voluntarily entered into this Agreement.

13. Non-Waiver. The failure of the Company to insist upon or enforce strict
----
performance of any provision of this Agreement or to exercise any rights or remedies thereunder will not be construed as a waiver by the Company to assert or rely upon any such provision, right or remedy in that or any other instance.

14. No Conflicting Obligations. Employee hereby acknowledges and represents
----
that Employee's execution of this Agreement and performance of employment-related obligations and duties for the Company as set forth hereunder will not cause any breach, default or violation of any other employment, non-disclosure, confidentiality, non-competition or other agreement to which Employee may be a party or otherwise bound. Employee hereby agrees that he will not use in the performance of his duties for the Company (or otherwise disclose to the Company) any trade secrets or confidential information of any prior employer or other person or entity if and to the extent that such use or disclosure may cause a breach or violation of any obligation or duty owed to such employer, person, or entity under any agreement or applicable law.

15. Forum; Enforcement. In the event of litigation arising from this
----
Agreement, Employee hereby expressly consents to jurisdiction and venue in any State or Federal Court sitting in Fulton County, State of Georgia, and waives any objections to such jurisdiction and venue. Employee further agrees that if Employee were to breach the provisions of Section 5 or 6 hereof, the Company would be irreparably harmed and therefore, in addition to any other remedies available at law, the Company shall be entitled to equitable relief, including without limitation, specific performance and preliminary and permanent injunction, against any breach or threatened breach of said Sections 5 and 6, without having to post bond.

16. Notices. Any notice or other communications under this Agreement shall
----
be in writing, signed by the party making the same, and shall be delivered personally or sent by certified or registered mail, postage prepaid, addressed as follows:

If to Employee: Craig W. Potts
1023 Palmetto Dunes Drive
Duluth, Georgia 30097

If to the Company: Clarus Corporation
3970 Johns Creek Court
Suwanee, Georgia 30024
Attention: President

or to such other address as may hereafter be designated by either party hereto. All such notices shall be deemed given on the date received.

17. Definitions. As used in this Agreement, the following terms shall have
----
the following meanings:

(a) "Cause."

(i) The Employee's repeated failure to perform (other than by reason of disability), or gross negligence in the performance of, his material duties and responsibilities hereunder and the continuance of such failure or negligence for a period of thirty (30) days after notice to the Employee;

(ii) Material breach by the Employee of any provision of this Agreement or any other written agreement between the Employee and the Company or any of its affiliates; and

(iii) Other conduct by the Employee that involves a material violation of law or breach of fiduciary obligation on the part of the Employee or is otherwise materially harmful to the business, interests, reputation or prospects of the Company or any of its affiliates.

(b) "Change of Control." For the purposes herein, a "Change of Control" shall be deemed to have occurred on the earliest of the following dates:

(i) The date any entity or person shall have become the beneficial owner of, or shall have obtained voting control over, forty percent (40%) or more of the outstanding Common Stock of the Company;

(ii) The date the stockholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any shares of Common Stock of the Company would be converted into cash, securities or other property of another corporation, other than (X) a merger or consolidation of the Company in which holders of Common Stock immediately prior to the merger or consolidation have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger as immediately before and (Y) a merger or consolidation of the Company in which holders of Common Stock immediately prior to the merger or consolidation continue to own at least a majority of the combined voting securities of the Company (or the surviving entity) outstanding

immediately after such merger or consolidation, or (B) to sell or otherwise dispose of all or substantially all the assets of the Company; or

(iii) The date there shall have been a change in a majority of the Board of Directors of the Company within a 12-month period unless the nomination for election by the Company's stockholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the 12-month period.

(c) "Company Property." All property, including, without limitation, real, personal, tangible or intangible, including all computer programs, electronic data, educational or instructional materials, inventions, Confidential Information, Trade Secrets, facilities, trade names, logos, patents, copyrights and all tangible materials and supplies (whether originals or duplicates and including, but not in any way limited to, computer diskettes, brochures, materials, sample products, video tape cassettes, film, catalogs, books, records, manuals, sales presentation literature, training materials, calling or business cards, customer records, customer files, customer names, addresses and phone numbers, directives, correspondence, documents, contracts, orders, messages, memoranda, notes, circulars, agreements, bulletins, invoices and receipts), which in any way pertain to the Company's business, whether furnished to Employee by the Company or prepared, compiled or acquired by Employee while employed by the Company, all being the sole property of the Company.

(d) "Confidential Information." All information or material regarding the Company's business that has or could have commercial value or other utility in the business in which the Company is engaged or contemplates engaging, or information which if disclosed without authorization could be detrimental to the business of the Company, including, but not limited to, its business plans, marketing plans, methods of operation, products, software programs, documentation of computer programs, programming procedures, algorithms, formulas, equipment, techniques, existing and contemplated services, inventions, systems, devices (whether or not patentable), financial information and practices, plans, pricing, selling and marketing techniques, proposals or bids for actual or potential customers, names, addresses and phone numbers of the Company's customers, credit information and financial data of the Company and the Company's customers, particular business requirements of the Company's customers, and special methods and processes involved in designing, producing and selling the Company's products and services, all shall be deemed Confidential Information and the Company's exclusive property; provided, however, that Confidential Information shall not include information that has entered the public domain other than through the actions of Employee. Confidential Information shall also include the foregoing types of information with respect to all affiliates of the Company.

(e) "Customer." Customer means any customer or prospective customer of the Company with whom Employee had Material Contact during the twelve (12) months immediately preceding the termination of the Employee's employment with the Company.

(f) "Material Contact." Material Contact means interaction between the Employee and the customer or potential customer which takes place in an effort to further the

business relationship, and shall be deemed to exist between the Employee and each customer or potential customer of the Company with whom the Employee dealt; whose dealings with the Company were coordinated or supervised by the Employee; or about whom the Employee obtained and used confidential information in the ordinary course of business as a result of such Employee's association with the Company.

(g) "Trade Secrets." All information, including, but not limited to, technical or non-technical data, formulas, patterns, programs, devices, methods, processes, financial data, product plans or a list of actual or potential customers or suppliers, which derives economic value from not being generally known and which is the subject of reasonable efforts by the Company to maintain its secrecy.

[EXECUTION SET FORTH ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their hands and seals as of the date first above written.

THE COMPANY:

CLARUS CORPORATION

By: /s/ Sean Feeney

Sean Feeney, Chief Operating Officer

EMPLOYEE:

/s/ Craig W. Potts

Craig W. Potts

EXHIBIT "A"

INCENTIVE COMPENSATION

Not Completed.

12

EXHIBIT "B"

List of Competitors Pursuant to Section 5 of Agreement

Name:	Address:
1. Ariba Corporation	1565 Charleston Road Mountain View, CA 94043 600 Northpark Town Center 1200 Abernathy Road Atlanta, GA 30328 and Jamboree Center One Plaza Park Suite 600 Irvine, CA 92614
2. Commerce One	CarrAmerica Corporate Center Buildings #1 & #4 4440 Rosewood Drive Pleasanton, CA 94588 and 999 Peachtree Street, Suite 140 Atlanta, GA 30309 U.S.A.
3. Purchase Pro	3291 North Buffalo Drive Las Vegas, Nevada 89129
4. i2 Technologies Inc.	One i2 Place 11701 Luna Rd. Dallas, Texas 75234

13

	and 5575 North Service Rd. 4th Floor Burlington, Ontario Canada L7L6M1
5. Vertical Net	700 Dresher Rd. Suite 100 Horsham, PA 19044 and 147 Wyndham St. N Suite 304 Guleph, Ontario Canada N1H HE9
6. People Soft	4460 Hacienda Dr. Pleasanton, California 94588 and 6400 Atlantic Blvd. Suite 130 Norcross, Georgia 30093

and

3353 Peachtree Rd. NE
Suite 600
Atlanta, Georgia 30326

and

4101 Yonge St.
Suite 600
Toronto, Ontario, Canada M2P 1N6

7. SAP 3999 Westchester Pike
Newton Square, PA

and

5555 Glenridge Connector NE
Atlanta, Georgia 30350

and

140 Churchill Dr.
Atlanta, Georgia 30350

and

847 Moreland Ave. SE
Atlanta, Georgia 30316

Printed Name of Employee:

Craig W. Potts

/s/ Craig W. Potts
- --
Signature of Employee

Effective Date: December 10, 2001

CLARUS CORPORATION

By: /s/ Sean Feeney

Sean Feeney, Chief Operating Officer

Effective Date: December 10, 2001

EXHIBIT 21.1

SUBSIDIARIES

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
SAI (Ireland) Limited, limited company incorporated under the laws of Ireland
SAI Recruitment Limited, limited company incorporated under the laws of Ireland
i2Mobile.com Limited, limited company incorporated under the laws of Ireland
SAI America Limited, limited company incorporated under the laws of Ireland

EXHIBIT 23.1

CONSENT OF KPMG LLP

To the Board of Directors and Stockholders of
Clarus Corporation and Subsidiaries:

We consent to incorporation by reference in the registration statements (Nos. 333-42600, 333-42602, 333-42604, 333-42606, 333-59193 and 333-71838 on Form S-8) of Clarus Corporation of our reports dated February 8, 2002 relating to the consolidated balance sheets of Clarus Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the years then ended and the related financial statement schedule, which reports appear in the December 31, 2001 annual report on Form 10-K of Clarus Corporation.

/s/ KPMG LLP

Atlanta, Georgia
March 25, 2002

EXHIBIT 23.2

CONSENT OF ARTHUR ANDERSEN LLP

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 28, 2000 included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-42600, 333-42602, 333-42604, 333-42606, 333-59193 and 333-71838 on Form S-8.

/s/ Arthur Andersen LLP

Atlanta, Georgia
March 25, 2002

EXHIBIT 99.1

INDEPENDENT AUDITORS' REPORT OF KPMG LLP ON FINANCIAL STATEMENT SCHEDULE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Clarus Corporation and Subsidiaries:

Under date of February 8, 2002, we reported on the consolidated balance sheets of Clarus Corporation and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the years then ended as contained in the Clarus Corporation 2001 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company'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 LLP

Atlanta, Georgia
February 8, 2002

EXHIBIT 99.2

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS, ARTHUR ANDERSEN LLP, ON FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the board of directors of Clarus Corporation and Subsidiaries

We have audited in accordance with generally accepted auditing standards, the consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows of Clarus Corporation (a Delaware corporation) and subsidiaries for the year ended December 31, 1999 included in this Form 10-K and have issued our report thereon dated January 28, 2000. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(a) is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 28, 2000