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

FORM 10-Q

(Mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002

or

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

For the transition period from _________ to _________

Commission File Number: 0-24277

Clarus Corporation

(Exact name of registrant as specified in its charter)

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

3970 Johns Creek Court
Suwanee, Georgia 30024

(Address of principal executive offices)
(Zip code)

(770) 291-3900

(Registrant's telephone number, including area code)

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

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

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

Common Stock, ($.0001 Par Value)

15,623,347 shares outstanding as of August 9, 2002

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CLARUS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

<TABLE>
<CAPTION>

<S>	June 30, 2002 <C>	December 31, 2001 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,676	$ 55,628
Marketable securities	68,629	65,264
Accounts receivable, less allowance for doubtful accounts of $787 and $675 in 2002 and 2001, respectively	999	2,566
Deferred marketing expense, current	-	391
Prepaids and other current assets	1,596	2,472
Total current assets	109,900	126,321
PROPERTY AND EQUIPMENT, NET	4,183	7,352
OTHER ASSETS:		
Deferred marketing expense, net of current portion	-	98
Investments	-	200
Goodwill	-	6,736
Intangible assets, net of accumulated amortization of 1,493 in 2001	-	4,079
Deposits and other long-term assets	592	488
TOTAL ASSETS	$ 114,675	$145,274

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

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 8,155	$ 6,506
Deferred revenue	1,844	5,206
	---------	--------
Total current liabilities	9,999	11,712
LONG-TERM LIABILITIES:		
Deferred revenue	104	1,969
Long-term debt	5,000	5,000
Other long-term liabilities	258	265
	---------	--------
Total liabilities	15,361	18,946
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; none issued	-	-
Common stock, $0.0001 par value; 100,000,000 shares authorized; 15,676,501 and 15,638,712 shares issued and 15,601,501 and 15,563,712 outstanding in 2002 and 2001, respectively	2	2
Additional paid-in capital	360,845	360,670
Accumulated deficit	(261,651)	(234,623)
Treasury stock, at cost	(2)	(2)
Accumulated other comprehensive income	120	281
	---------	--------
Total stockholders' equity	99,314	126,328
	---------	--------
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 114,675	$145,274
	=========	========

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
REVENUES:				
License fees	$ 1,013	$ 3,600	$ 2,486	$ 5,910
Services fees	1,531	2,595	3,999	5,125
	---------	---------	---------	---------
Total revenues	2,544	6,195	6,485	11,035
COST OF REVENUES:				
License fees	3	80	17	124
Services fees	1,881	3,341	3,819	7,119
	---------	---------	---------	---------
Total cost of revenues	1,884	3,421	3,836	7,243
OPERATING EXPENSES:				
Research and development	2,553	4,570	5,182	10,125
Sales and marketing, exclusive of non-cash expense	2,680	9,329	6,228	17,398
Non-cash sales and marketing	352	1,688	450	3,376
General and administrative, exclusive of non-cash expense	3,594	2,330	5,099	5,024
Non-cash general and administrative	-	112	-	224
Provision for doubtful accounts	1	555	3	2,610
Intangible impairment loss	10,360	-	10,360	-
Depreciation and amortization on property and equipment	1,304	838	2,433	1,683

Amortization of intangible assets	227	2,463	455	4,483
Loss on disposal of assets	795	7	785	7
Total operating expenses	21,866	21,892	30,995	44,930
OPERATING LOSS	(21,206)	(19,118)	(28,346)	(41,138)
OTHER INCOME	6	11	12	10
LOSS ON IMPAIRMENT OF INVESTMENTS	-	(3,386)	-	(6,484)
INTEREST INCOME	685	1,762	1,418	4,184
INTEREST EXPENSE	(56)	(56)	(112)	(120)
NET LOSS	$(20,571)	$(20,787)	$(27,028)	$(43,548)
Loss per common share (Note 2):				
Basic	$ (1.32)	$ (1.34)	$ (1.73)	$ (2.81)
Diluted	$ (1.32)	$ (1.34)	$ (1.73)	$ (2.81)
Weighted average shares outstanding (Note 2):				
Basic	15,588	15,507	15,580	15,507
Diluted	15,588	15,507	15,580	15,507

</TABLE>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

	Six months ended June 30,	
	2002	2001
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss	$ (27,028)	$(43,548)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization on property and equipment	2,433	1,683
Amortization of intangible assets	455	4,483
Loss on impairment of investments	-	5,506
Impairment of intangible assets	10,360	
Loss on impairment of marketable securities	-	979
Gain on sale of investments	(15)	(10)
Noncash sales and marketing expense	450	3,376
Noncash general and administrative expense	-	224
Provision for doubtful accounts	3	2,610
Loss on disposal of property and equipment	785	7
Changes in operating assets and liabilities:		
Accounts receivable	1,564	(1,082)
Prepaid and other current assets	876	(815)
Deposits and other long-term assets	(104)	(17)
Accounts payable and accrued liabilities	1,649	(2,189)
Deferred revenue	(5,227)	777
Other long-term liabilities	(7)	9
NET CASH USED IN OPERATING ACTIVITIES	(13,806)	(28,007)
INVESTING ACTIVITIES:		
Purchase of marketable securities	(20,282)	(40,794)
Proceeds from sale of marketable securities	2,628	4,664
Proceeds from maturity of marketable securities	14,140	32,189
Proceeds from sale of investments	200	-
Purchase of investments	-	(2,000)

Proceeds from sale of property and equipment	27	-
Purchases of property and equipment	(76)	(2,694)
NET CASH USED IN INVESTING ACTIVITIES	(3,363)	(8,635)
FINANCING ACTIVITIES:		
Proceeds from the exercises of stock options	136	70
Proceeds from issuance of common stock related to employee stock purchase plan	78	96
NET CASH PROVIDED BY FINANCING ACTIVITIES	214	166
Effect of exchange rate change on cash	3	83
CHANGE IN CASH AND CASH EQUIVALENTS	(16,952)	(36,393)
CASH AND CASH EQUIVALENTS, beginning of period	55,628	118,303
CASH AND CASH EQUIVALENTS, end of period	$ 38,676	$ 81,910
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	$ 56	$ 64
NONCASH TRANSACTIONS:		
Retirement of 82,500 shares of common stock pursuant to a terminated employment agreement with former owners of the SAI/Redeo Companies	$ -	$ 2,181
Retirement of 7,500 shares related to the termination of a sales and marketing agreement.	$ 39	$ -

</TABLE>
See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CLARUS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Clarus Corporation and subsidiaries (the "Company") for the three and six months ended June 30, 2002, have been prepared in accordance with accounting principles generally accepted in the United States of America and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. The results of the three and six months ended June 30, 2002 are not necessarily indicative of the results to be obtained for the year ending December 31, 2002. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 2001, filed with the Securities and Exchange Commission.

NOTE 2. EARNINGS PER SHARE

Basic and diluted net loss per share were computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", using the weighted average number of common shares outstanding. The diluted net loss per share for the three and six months ended June 30, 2002 and 2001 does not include the effect of common stock equivalents, calculated using the treasury stock method, as their impact would be antidilutive. The potentially dilutive effect of excluded common stock equivalents are as follows (in thousands):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001

<S>	<C>	<C>	<C>	<C>
Effect of shares issuable under stock options	180	196	141	289
Effect of shares issuable pursuant to warrants to purchase common stock	-	-	-	1
Total effect of dilutive common stock equivalents	180	196	141	290

</TABLE>

NOTE 3. STOCK OPTION EXCHANGE PROGRAM

On April 9, 2001, the Company announced a voluntary stock option exchange program for its employees. Under the program, employees were given the opportunity to cancel outstanding stock options previously granted to them on or after November 1, 1999 in exchange for an equal number of new options to be granted at a future date. The exercise price of the new options was equal to the fair market value of the Company's common stock on the date of grant. During the first phase of the program 366,174 options with a weighted average exercise price of $30.55 per share were canceled and new options to purchase 263,920 shares with an exercise price of $3.49 per share were 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.

NOTE 4. RESTRUCTURING AND RELATED COSTS

During 2001 and 2002, 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 closures and consolidation costs. During the first quarter of 2002, the Company determined that amounts previously charged during 2001 of approximately $202,000 that related to employee separation and related charges were no longer required and this amount was credited to sales and marketing expense in the accompanying condensed consolidated statement of operations during the three months ended March 31, 2002. The Company's management approved further reductions and reorganizations during the three months ended June 30, 2002, which resulted in restructuring and related charges of $3.8 million. These charges were comprised of

$2.2 million for employee separation and related costs for 102 employees and $1.6 million for facility closures and consolidation costs.

The Company expects to complete the facility closures and consolidation during 2002. The facility closures and consolidation costs relate to the abandonment of the Company's leased facilities in Limerick, Ireland; Maidenhead, England; and near Toronto, Canada, as well as the restructuring of the Company's leased facility in Suwanee, Georgia. Total facility closures and consolidation costs include the write-down of property and equipment and leasehold improvements to their net realizable value, 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.

In connection with the Company's continuing restructuring program, the Company

implemented a further reduction of its worldwide workforce and incurred a related restructuring charge of approximately $1.3 million during July 2002. The July 2002 charge is comprised of employee separation and related costs for 47 employees.

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 2002 and the balance of the accrual as of June 30, 2002:

<TABLE>
<CAPTION>

	Accruals During 2001	Expenditures During 2001	Balance 12/31/01	Six Months Ended June 30, 2002			Balance 06/30/02
				Accruals	Expenditures	Credits	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<c>
(in thousands)							
Employee separation costs	$2,939	$2,259	$ 680	$2,239	$2,388	$202	$ 329
Facility closure costs	1,218	9	1,209	1,568	401	-	2,376
Total restructuring and related costs	$4,157	$2,268	$1,889	$3,807	$2,789	$202	$2,705

</TABLE>

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

NOTE 5. COMPREHENSIVE INCOME (LOSS)

SFAS No. 130 "Reporting Comprehensive Income (Loss)", establishes standards of reporting and display of comprehensive income (loss) and its components of net income (loss) and "Other Comprehensive Income (Loss)". "Other Comprehensive Income (Loss)" refers to revenues, expenses and gains and losses that are not included in net income (loss) but rather are recorded directly in stockholders' equity. The components of comprehensive loss for the three and six months ended June 30, 2002 and 2001 were as follows (in thousands):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Net loss	$(20,571)	$(20,787)	$(27,028)	$(43,548)
Unrealized gain (loss) on marketable securities	18	812	(164)	709
Foreign currency translation adjustments	87	(7)	3	83
Comprehensive loss	$(20,466)	$(19,982)	$(27,189)	$(42,756)

</TABLE>

NOTE 6. CREDIT AND CUSTOMER CONCENTRATIONS

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. As of June 30, 2002, four customers accounted for more than 10% each, totaling $1.1 million or 64.2% of the gross accounts receivable balance on that date. The percentage by customer was 23.8%, 18.2%, 11.8%, and 10.4% , respectively, at June 30, 2002. 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.

During the quarter ended June 30, 2002, two customers accounted for more than 10% of total revenue, totaling $1.0 million or 40.7% of total revenue. The percentage by customer was 30.6% and 10.1% respectively, for the quarter ended June 30, 2002. During the quarter ended June 30, 2001, three customers accounted

for more than 10% each, totaling $4.0 million or 63.8% of total revenue. The percentage by customer was 25.0%, 23.9% and 14.9%, respectively, for the quarter ended June 30, 2001. During the

six months ended June 30, 2002, one customer accounted for more than 10% of total revenue, totaling $2.6 million or 39.5% of total revenue. During the six months ended June 30, 2001, three customers accounted for more than 10% each, totaling $6.3 million or 57.0% of total revenue. The percentage by customer was 28.2%, 15.3%, and 13.5%, respectively, for the six months ended June 30, 2001.

As a result of BarclaysB2B's recent decision to discontinue its external operations to focus on internal cost reduction, the Company was notified that BarclaysB2B will terminate its current software license and service agreements with the Company effective August 31, 2002. Upon termination the Company will be required to refund to BarclaysB2B prepaid software license and support fees of approximately $2.7 million less costs incurred by the Company associated with terminating the contract. During the six months ended June 30, 2002, revenues from the Company's agreements with BarclaysB2B represented 39.5% of the Company's total revenues for this period.

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following (in thousands):

<TABLE>
<CAPTION>

<S>	June 30, 2002 <C>	December 31, 2001 <C>
Accounts payable	$ 461	$ 588
Accrued compensation, benefits, and commissions	1,237	1,386
Restructuring reserves	2,705	1,889
Payable to BarclaysB2B	2,657	-
Other	1,095	2,643
Total	$8,155	$6,506

</TABLE>

NOTE 8. CONTINGENCIES

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.

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.

NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee termination Benefits and Other Costs to Exit an

Activity (including Certain Costs Incurred in a Restructuring)". The provisions of SFAS 146 are effective for the Company's 2003 fiscal year. The Company does not believe that SFAS 146 will have a material impact on its financial statements

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS 145 rescinds SFAS 4, "Reporting Gains and Losses from Extinguishment of Debt", SFAS 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS 64, "Extinguishments of Debt Made to Satisfy Sinking Fund Requirements". SFAS 145 amends SFAS 13, "Accounting for Leases", eliminating an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications with similar economic effects as sale-leaseback transactions. This statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under certain conditions. The provisions related to SFAS 13 are effective for transactions occurring after May 15, 2002. All other provisions of the statement are effective for financial statements issued on or after May 15, 2002. The adoption of SFAS 145 did not have a material impact on the Company's financial statements.

At the November 2001 EITF meeting, the FASB released Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred" stating that the Staff believes that reimbursements received for out-of-pocket expenses should be characterized as revenue. The Company adopted this Staff Announcement effective January 1, 2002. Historically the Company has not reflected such reimbursements as revenue in its consolidated statements of operations. Upon adoption of this FASB Staff Announcement, comparative financial statements for prior periods were reclassified to provide consistent presentation. The adoption of this FASB Staff Announcement did not have any impact on the Company's financial position or results of operations, however, the Company's services fees revenue and cost of services fees revenue increased by an equal amount as a result of the gross-up of revenues and expenses for reimbursable expenses. For the three and six months ended June 30, 2002, the Company recorded revenue from reimbursement of out-of-pocket expenses of approximately $62,000 and $150,000, respectively. For the three and six months ended June 30, 2001, the Company's services fees revenue and cost of services fees revenue increased by approximately $202,000 and $470,000, respectively, as a result of the reclassification of these reimbursements.

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 adopted SFAS 144 effective January 1, 2002, which did not have a material impact on the Company's financial statements.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of SFAS 143 are effective for the Company's 2003 fiscal year. The Company does not believe that SFAS 143 will have a material impact on its 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 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values. The Company adopted SFAS 141 upon issuance and adopted SFAS 142 effective January 1, 2002. Upon adoption, the Company tested goodwill for impairment at January 1, 2002 according to the provisions of SFAS 142, which resulted in no impairment required as a cumulative effect of accounting change. In the second quarter of 2002, the Company tested goodwill for impairment according to the provisions of SFAS 142 and intangible assets with definite lives according to SFAS 144 due to certain changes in business strategy that effected the Company's business plans, which resulted in an impairment of $6.7 million of goodwill and $3.6 million of intangible assets with definite lives. The Company recorded $2.2 million and $4.0 million, respectively, of amortization expense related to goodwill during the three and six months ended June 30, 2001. As a result of adopting SFAS 142, the Company did not recognize any goodwill amortization during the three and six months ended June 30, 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.

NOTE 10. RECLASSIFICATIONS

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

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

This report contains certain forward-looking statements 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" herein.

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, Smurfit-Stone Container Corporation, and Wachovia Corporation.

In May 2002 the Company announced that it had retained an investment banking firm to assist the Company in exploring all strategic alternatives to enhance stockholder value. Such alternatives may include a sale of the Company, its assets or its product lines or the adoption of a plan of liquidation. In addition, the Company may redeploy its cash to acquire a company or companies that may or may not be related to the Company's current business.

Critical Accounting Policies and Use of Estimates

As a result of the Company's announcement on exploring strategic alternatives and the continuing poor market conditions, the Company has experienced a decline in the demand for its software. While the Company has significantly reduced its head count, the Company's announced strategy makes the retention of certain employees critical to the success of this strategy. There is no guarantee that the Company will be able to successfully execute on its announced strategy to explore all strategic alternatives to enhance stockholder value.

If demand for business-to-business software and related services remain soft, the Company's business, operating results, liquidity and financial condition will be adversely affected. The Company's success depends on market acceptance of e-commerce as a viable method for corporate procurement and other commercial transactions and market adoption of the Company's current and future products. The competitive landscape the Company faces is continuously changing. It is difficult to estimate how competition will affect the Company's revenues.

It is also very difficult to predict the Company's quarterly results. The Company has incurred significant net losses in each year since its inception. The Company may not increase its customer base sufficient to generate the substantial additional revenues necessary to become profitable. The Company has 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.

The Company's international sales and marketing activities cause the Company's business to be more susceptible to the numerous risks associated with international sales. The Company may not be successful in addressing these and other risks and difficulties that it may encounter. Please refer to the "Risk Factors" sections for additional information regarding the risks associated with the Company's 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 recorded a provision for doubtful accounts of $1,000 and $3,000 for the three and six months ended June 30, 2002, respectively. The Company recorded a provision for doubtful accounts of $555,000 and $2.6 million for the three and six months ended June 30, 2001, respectively.

- The Company has significant long-lived assets, primarily intangibles and goodwill, as a result of acquisitions completed during 2000. The Company currently evaluates the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Prior to 2002, the Company periodically evaluated the carrying value of its long-lived assets, including intangibles, according to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". 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 during the three months ended December 31, 2001 to goodwill and intangible assets based on the amount by which the carrying amount of these assets exceeded fair value. As a result of a change in the Company's strategic direction during the second quarter of 2002, the Company determined that remaining goodwill and intangible assets should be tested for further impairment. The Company's evaluation of the present value of future cash flows based on the change in strategic direction indicated the carrying value of the Company's assets exceeded fair value. As a result, the Company recorded an additional impairment charge to goodwill of $6.7 million and an impairment charge to intangible assets of $3.6 million during the three months ended June 30, 2002. The Company recorded $227,000 of amortization expense related to intangible assets with definite lives during the three months ended June 30, 2002 and 2001. The Company recorded $455,000 of amortization expense related to intangible assets with definite lives during the six months ended June 30, 2002 and 2001. The Company recorded $2.2 million and $4.0 million of amortization expense related to goodwill during the three and six months ended June 30, 2001. As a result of adopting SFAS 142, the Company did not record amortization expense related to goodwill during 2002.

- 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 three and six months ended June 30, 2001, the Company recorded impairment charges on investments of $3.4 million and $6.5 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 Company's pending securities

lawsuit could adversely affect the Company's business, results of operations, liquidity or financial condition. See "Risk Factors" and "Part II Other Information - Item 1. Legal Proceedings" herein.

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 and 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.

Operating Expenses

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

Cost of services fees includes personnel related expenses and third-party consulting fees incurred to provide implementation, training, maintenance,

content aggregation, and upgrade services to customers and partners. These costs are recognized as they are incurred for time and material arrangements and are recognized using the percentage of completion method for fixed price arrangements.

Research and development expenses consist primarily of personnel related expenses and third-party consulting fees. The Company accounts for software development costs under Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". The Company 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, customer meetings, trade show participation, public relations, promotional activities, regional sales offices, and advertising.

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

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 closures and consolidation, depreciation and amortization on property and equipment, amortization of intangibles, intangible impairment losses, stock-based compensation expenses, losses realized on the disposal of assets, gains on sales of marketable securities, and losses on impairment of investments, all of which are included in our financial results for GAAP reporting purposes. 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 the Company's competitors. Therefore, we urge you to carefully review the GAAP financial information included as part of this Form 10-Q, 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>

	Three months ended June 30	Six months ended June 30

	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
REVENUES:				
License fees	$ 1,013	$ 3,600	$ 2,486	$ 5,910
Services fees	1,531	2,595	3,999	5,125
TOTAL REVENUES	2,544	6,195	6,485	11,035
COST OF REVENUES:				
License fees	3	80	17	124
Services fees	1,336	3,341	3,274	6,958
TOTAL COST OF REVENUES	1,339	3,421	3,291	7,082
OPERATING EXPENSES:				
Research and development	1,806	4,570	4,435	10,125
Sales and marketing	2,046	9,329	5,796	17,264
General and administrative	1,714	2,885	3,221	7,416
TOTAL OPERATING EXPENSES	5,566	16,784	13,452	34,805
Operating loss	$(4,361)	$(14,010)	$(10,258)	$(30,852)
Loss on foreign currency transactions	(9)	-	(3)	-
Interest income, (net)	629	1,706	1,306	4,064
Pro forma net loss	$(3,741)	$(12,304)	$ (8,955)	$(26,788)
Weighted average shares outstanding - basic and diluted	15,588	15,507	15,580	15,507
Pro forma net loss per share - basic and diluted	$ (0.24)	$ (0.79)	$ (0.57)	$ (1.73)

</TABLE>

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

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Net loss	$(20,571)	$(20,787)	$(27,028)	$(43,548)
Restructuring costs/1/	3,807	-	3,605	513
Depreciation and amortization on property and equipment	1,304	838	2,433	1,683
Amortization of intangibles	227	2,463	455	4,483
Intangible impairment loss	10,360	-	10,360	-
Stock-based compensation	352	1,800	450	3,600
Loss on disposal of assets	795	7	785	7
Gain on sale of marketable securities	(15)	(11)	(15)	(10)
Loss on impairment of investments	-	3,386	-	6,484
Pro forma net loss	$ (3,741)	$(12,304)	$ (8,955)	$(26,788)
Weighted average shares outstanding - basic and diluted	15,588	15,507	15,580	15,507
Pro forma net loss per share - basic and diluted	$ (0.24)	$ (0.79)	$ (0.57)	$ (1.73)

</TABLE>

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/1/ Restructuring costs are comprised of employee severance and termination costs and office closures and consolidation costs. For the three and six months ended June 30, 2002 and 2001, these costs consist of the following:

<TABLE>
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(in thousands)	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
<S>	<C>	<C>	<C>	<C>
Cost of services fees revenue	$ 545	$ -	$ 545	$ 161
Research and development	747	-	747	-
Sales and marketing	634	-	432	134
General and administrative	1,881	-	1,881	218
Total	$ 3,807	$ -	$ 3,605	$ 513

</TABLE>

Restructuring and Related Costs

During 2001 and 2002, 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 closures and consolidation costs. During the first quarter of 2002, the Company determined that amounts previously charged during 2001 of approximately $202,000 that related to employee separation and related charges were no longer required and this amount was credited to sales and marketing expense in the accompanying condensed consolidated statement of operations during the three months ended March 31, 2002. The Company's management approved further reductions and reorganizations during the three months ended June 30, 2002, which resulted in restructuring and related charges of $3.8 million. These charges were comprised of $2.2 million for employee separation and related costs for 102 employees and $1.6 million for facility closures and consolidation costs.

The Company expects to complete the facility closures and consolidation during 2002. The facility closures and consolidation costs relate to the abandonment of the Company's leased facilities in Limerick, Ireland; Maidenhead, England; and near Toronto, Canada, as well as the restructuring of the Company's leased facility in Suwanee, Georgia. Total facility closures and consolidation costs include the write-down of property and equipment and leasehold improvements to their net realizable value, 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.

In connection with the Company's continuing restructuring program, the Company implemented a further reduction of its worldwide workforce and incurred a related restructuring charge of approximately $1.3 million during July, 2002. The July 2002 charge is comprised of employee separation and related costs for 47 employees.

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 2002 and the balance of the accrual as of June 30, 2002:

<TABLE>
<CAPTION>

	Accruals During 2001	Expenditures During 2001	Balance 12/31/01	Six Months Ended June 30, 2002			Balance 06/30/02
				Accruals	Expenditures	Credits	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(in thousands)							
Employee separation costs	$2,939	$2,259	$ 680	$ 2,239	$ 2,388	$ 202	$ 329
Facility closure costs	1,218	9	1,209	1,568	401	-	2,376
Total restructuring and related costs	$4,157	$2,268	$ 1,889	$ 3,807	$ 2,789	$ 202	$2,705

</TABLE>

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

Results of Operations

Revenues

Total Revenues. Total revenues for the quarter ended June 30, 2002 decreased 58.9% to $2.5 million from $6.2 million during the same period in 2001. Total revenues for the six months ended June 30, 2002 decreased 41.2% to $6.5 million from $11.0 million during the same period in 2001. The decrease in total revenues in both periods resulted primarily from a decrease in license revenue due to reduced demand for the Company's software products as a result of reduced information technology spending and the announcement by the Company to explore all strategic alternatives during the quarter ended June 30, 2002. During the quarter ended June 30, 2002, two customers accounted for more than 10% of total revenue, totaling $1.0 million or 40.7% of total revenue. The percentage by customer was 30.6% and 10.1% respectively, for the quarter ended June 30, 2002. During the quarter ended June 30, 2001, three customers accounted for more than 10% each, totaling $4.0 million or 63.8% of total revenue. The percentage by customer was 25.0%, 23.9%, and 14.9%, respectively, for the quarter ended June 30, 2001. During the six months ended June 30, 2002, one customer accounted for more than 10% of total revenue, totaling $2.6 million or 39.5% of total revenue. During the six months ended June 30, 2001, three customers accounted for more than 10% each, totaling $6.3 million or 57.0% of total revenue. The percentage by customer was 28.2%, 15.3% and 13.5%, respectively, for the six months ended June 30, 2001.

As a result of BarclaysB2B's recent decision to discontinue its external operations to focus on internal cost reduction, the Company was notified that BarclaysB2B will terminate its current software license and service agreements with the Company effective August 31, 2002. Upon termination the Company will be required to refund to BarclaysB2B prepaid software license and support fees of approximately $2.7 million less costs incurred by the Company associated with terminating the contract. During the six months ended June 30, 2002, revenues from the Company's agreements with BarclaysB2B represented 39.5% of the Company's total revenues for this period.

License Fees. License fees decreased 71.9% to $1.0 million or 39.8% of total revenues, for the quarter ended June 30, 2002 from $3.6 million, or 58.1% of total revenues, for the same period in 2001. License fees decreased 57.9% to $2.5 million or 38.3% of total revenues, for the six months ended June 30, 2002 from $5.9 million, or 53.6% of total revenues, for the same period in 2001. The decrease in license fees was primarily attributable to the decision by the Company to explore strategic alternatives during the quarter ended June 30, 2002, the softening demand for business-to-business software and the information technology market generally.

Services Fees. Services fees decreased 41.0% to $1.5 million for the quarter ended June 30, 2002, from $2.6 million for the same period in 2001. Services fees decreased 22.0% to $4.0 million, for the six months ended June 30, 2002, from $5.1 million for the same period in 2001. Services fees, however, increased as a percentage of total revenues to 60.2%, for the quarter ended June 30, 2002, from 41.9% during the same period in 2001, and to 61.7% for the six months ended June 30, 2002, from 46.4% during the same period in 2001. The decrease in services fees revenue for the three and six months ended June 30, 2002 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. As a result of the decision by the Company to explore strategic alternatives during the quarter ended June 30, 2002, the Company anticipates certain customers may terminate their relationships with the Company which would result in a decrease in maintenance fees in future periods.

Cost of Revenues

Total Cost of Revenues. Cost of revenues decreased 44.9% to $1.9 million, or 74.1% of total revenue, during the quarter ended June 30, 2002 from $3.4 million, or 55.2% of total revenue, during the same period in 2001. Cost of revenues decreased 47.0% to $3.8 million, or 59.2% of total revenue, during the

six months ended June 30, 2002 from $7.2 million, or 65.6% of total revenue, during the same period in 2001. The decreases in cost of revenues are primarily a result of a decrease in the cost of services fees

due to lower personnel related costs, partially offset by costs associated with restructuring costs incurred during the three months ended June 30, 2002. During the three months ended June 30, 2002, the Company had an average of 64.5% fewer employees in services compared to the same period in 2001. During the six months ended June 30, 2002, the Company had an average of 61.5% fewer employees in services compared to the same period in 2001. The reduced personnel related costs are a result of Company instituted cost control measures that began during 2001 and the Company's announced strategy in May 2002 to pursue strategic alternatives such as a sale of the Company, its assets or its product lines.

Cost of License Fees. Cost of license fees decreased 96.3% to $3,000 in the second quarter of 2002 from $80,000 in the second quarter of 2001. Cost of license fees decreased 86.3% to $17,000 in the first six months of 2002 from $124,000 in the first six months of 2001. 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 decreased 43.7% to $1.9 million, or 122.9% of total services fees revenues, during the quarter ended June 30, 2002 compared to $3.3 million, or 128.7% of total services fees revenues, during the same period in 2001. Cost of services fees decreased 46.4% to $3.8 million, or 95.5% of total services fees revenues, during the six months ended June 30, 2002 compared to $7.1 million, or 138.9% of total services fees revenues, during the same period in 2001. As discussed above, the decrease in the cost of services fees was primarily attributable to lower personnel related costs in both the services implementation and customer support areas, partially offset by costs associated with restructuring costs incurred during the three months ended June 30, 2002. The Company incurred costs related to employee severance and related costs of $545,000 during the three months ended June 30, 2002 and costs of $161,000 during the three months ended March 31, 2001.

Research and Development Expense

Research and development expenses decreased 44.1% to approximately $2.6 million, or 100.4% of total revenues, during the quarter ended June 30, 2002 from $4.6 million, or 73.8% of total revenues, during the same period in 2001. During the six months ended June 30, 2002, research and development expenses decreased 48.8% to approximately $5.2 million, or 79.9% of total revenues from $10.1 million, or 91.8% of total revenues, during the same period in 2001. Research and development expenses decreased primarily as a result of a reduction in personnel related costs and consulting fees incurred to develop the Company's products, partially offset by costs associated with restructuring costs incurred during the three months ended June 30, 2002. Consulting fees were $196,000 in the second quarter of 2002 compared to $1.6 million in the second quarter of 2001. During the three months ended June 30, 2002, the Company had an average of 52.5% fewer employees in the research and development area compared to the same period of 2001. Consulting fees were $706,000 in the first six months of 2002 compared to $3.7 million in the first six months of 2001. During the six months ended June 30, 2002, the Company had an average of 46.5% fewer employees in the research and development area compared to the same period of 2001. The Company incurred costs related to employee severance and related costs of $747,000 during the three months ended June 30, 2002. The Company did not incur any severance or related costs during the three or six month periods ended June 30, 2001.

Sales and Marketing Expense, exclusive of non-cash expense

Sales and marketing expenses decreased 71.3% to $2.7 million, or 105.3% of total revenues, during the quarter ended June 30, 2002 from $9.3 million, or 150.6% of total revenues, during the same period in 2001. Sales and marketing expenses decreased 64.2% to $6.2 million, or 96.0% of total revenues, during the six months ended June 30, 2002 from $17.4 million, or 157.7% of total revenues, during the same period in 2001. The decrease was primarily attributable to a decrease in variable compensation as a result of lower license revenue during the period and a decrease in sales and marketing personnel, partially offset by

costs associated with restructuring costs incurred during the three months ended June 30, 2002. The Company had an average of 72.1% fewer employees during the second quarter of 2002 in the sales, marketing and business development areas compared to the second quarter of 2001. The Company had an average of 67.5% fewer employees during the first six months of 2002 in the sales, marketing and business development areas compared to the first six months of 2001. The Company incurred severance and related costs of $634,000 and $432,000, respectively, during the three and six months ended June 30, 2002. The company incurred no costs during the three months ended June 30, 2001 and $134,000 during the six months ended June 30, 2001.

Noncash Sales and Marketing Expense

During the three months ended June 30, 2002 and 2001, noncash sales and marketing expenses of approximately $352,000 and $1.7 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. The Company recognized $450,000 and $3.4 million, respectively, associated with these agreements during the six months ended June 30, 2002 and 2001. In connection with these agreements, the Company issued warrants and shares of common stock to certain strategic partners, all of whom were also customers, in exchange for their participation in the Company's sales and marketing efforts. The decrease in noncash sales and marketing expense during 2002 is

due to the termination of the sales and marketing agreement with one customer during the fourth quarter of 2001. As of June 30, 2002 all deferred sales and marketing costs, previously capitalized, have been expensed.

General and Administrative, Exclusive of Noncash Expense

General and administrative expenses, including the provision for doubtful accounts, increased 24.6% to $3.6 million during the quarter ended June 30, 2002, or 141.3% of total revenue from $2.9 million, or 46.6% of total revenues, during the same period in 2001. General and administrative expenses, including the provision for doubtful accounts, decreased 33.2% to $5.1 million during the six months ended June 30, 2002, or 78.7% of total revenue from $7.6 million, or 69.2% of total revenues, during the same period in 2001. The increase in general and administrative expense for the three months ended June 30, 2002 was primarily attributable to severance related costs and facility restructuring costs partially offset by a decrease in the provision for doubtful accounts and reduced headcount. The Company had approximately $313,000 of severance related costs and approximately $1.6 million in facility restructuring expenses during the three months ended June 20, 2002. The Company had an average of 50.5% fewer employees during the three months ended June 30, 2002 in the general and administrative areas compared to the same period of 2001. The Company recorded a provision for doubtful accounts of $1,000 during the three months ended June 30, 2002 compared to a provision of $555,000 for the three months ended June 30, 2001. The decrease in general and administrative expense for the six months ended June 30, 2002 was primarily attributable to a decrease in the provision for doubtful accounts and reduced headcount, partially offset by severance and related costs and facility restructuring costs. The Company had an average of 50.9% fewer employees during the six months ended June 30, 2002 in the general and administrative areas compared to the same period of 2001. The Company recorded a provision for doubtful accounts of $3,000 during the six months ended June 30, 2002 compared to a provision of $2.6 million for the six months ended June 30, 2001.

Noncash General and Administrative Expense

For the three months ended March 31, 2001, noncash general and administrative expenses were $112,000, or 1.8% of total revenues. For the six months ended June 30, 2001, noncash general and administrative expenses were $224,000, or 2.0% of total revenues. 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. The amount expensed during 2001 relates primarily to these options.

Loss on Impairment of Intangible Assets

In the second quarter of 2002, the Company recognized a goodwill impairment loss

of $6.7 million and an intangible asset impairment loss of $3.6 million as a result of a change in the Company's strategic direction. The Company periodically evaluates the carrying value of its long-lived assets, including intangibles, according to Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". As a result of a change in the Company's strategic direction during the second quarter of 2002, the Company determined that remaining goodwill and intangible assets should be tested for further impairment. The Company's evaluation of the present value of future cash flows based on the change in strategic direction indicated the carrying value of the Company's assets exceeded fair value. As a result the Company recorded an additional impairment charge to goodwill and intangible assets of $10.4 million during the three months ended June 30, 2002.

Depreciation and Amortization on Property and Equipment

Depreciation and amortization on property and equipment increased to $1.3 million in the quarter ended June 30, 2002 from $838,000 in the same period of 2001. Depreciation and amortization on property and equipment increased to $2.4 million in the six months ended June 30, 2002 from $1.7 million in the same period of 2001. The increase in depreciation and amortization on property and equipment during 2002 is primarily due to financial, professional services management and customer relationship software implemented during 2001.

Amortization of Intangible Assets

Amortization of intangible assets decreased to $227,000 during the three months ended June 30, 2002 from $2.5 million during the same period of 2001. Amortization of intangible assets decreased to $455,000 during the six months ended June 30, 2002 from $4.5 million during the same period of 2001. The decrease is primarily the result of adopting SFAS 142, effective January 1, 2002, which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized. The amortization during 2002 relates to intangible assets with definite lives. As a result of adopting SFAS 142, the Company did not recognize any amortization related to goodwill during 2002. The Company recorded $2.2 million of amortization expense related to goodwill during the three months ended June 30, 2001 and $4.0 million during the six months ended June 30, 2001. The Company recorded $227,000 of amortization related to intangible assets with definite lives during the three months ended June 30, 2001 and $455,000 during the six months ended June 30, 2001.

Loss on Disposal of Assets

For the three and six month periods ended June 30, 2002, the Company recorded a loss on the disposal of assets of $795,000 and $785,000, respectively. For the three and six month periods ended June 30, 2001, the Company recorded a loss on the disposal of assets of $7,000. The increase in the loss on the disposal of assets in the second quarter of 2002 is primarily attributable to the write down of assets located in the Maidenhead and Limerick offices to their net realizable value.

Other Income

For the three months ended June 30, 2002 and 2001, the Company recorded other income of $6,000 and $11,000, respectively. For the six months ended June 30, 2002, and 2001 the Company recorded other income of $12,000 and $10,000 respectively. These amounts are comprised of losses on foreign currency and realized gains and losses on marketable securities.

Loss on Impairment of Investments

During the three and six months ended June 30, 2001, the Company recorded a loss on impairment of investments of approximately $3.4 million and $6.5 million, respectively. These losses were 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 current economic and capital market conditions.

Interest Income

Interest income decreased to $685,000 in the second quarter of 2002, or 26.9% of total revenues from $1.8 million, or 28.4% of total revenues, in the same period of 2001. Interest income decreased to $1.4 million in the first six months of 2002, or 21.9% of total revenues from $4.2 million, or 37.9% of total revenues, in the same period of 2001. 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 quarters.

Interest Expense

Interest expense for the three months ended June 30, 2002 and 2001 was $56,000. Interest expense for the six months ended June 30, 2002 was $112,000 compared to $120,000 during the same period of 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 2002 and 2001 is primarily related to this agreement. The $5.0 million is due on March 15, 2005.

Income Taxes

As a result of the operating losses incurred since the Company's inception, no provision or benefit for income taxes was recorded during the three and six months ended June 30, 2002 and 2001, respectively.

Liquidity and Capital Resources

The Company's cash and cash equivalents decreased to $38.7 million at June 30, 2002 from $55.6 million at December 31, 2001. Marketable securities increased to $68.6 million at June 30, 2002 from $65.3 million at December 31, 2001. The overall decrease in cash and cash equivalents and marketable securities is due primarily to cash used to fund operating losses.

Cash used in operating activities was approximately $13.8 million during the six months ended June 30, 2002. The cash used was primarily attributable to the Company's net loss and to a decrease in deferred revenue partially offset by noncash items, an increase in accounts payable and a decrease in accounts receivable and prepaid and other assets. Cash used in operating activities was approximately $28.0 million during the six months ended June 30, 2001. The cash used was primarily attributable to the Company's net loss, an increase in accounts receivable and prepaid and other current assets, and a decrease in accounts payable and accrued liabilities partially offset by noncash items and an increase in deferred revenue.

Cash used for investing activities was approximately $3.4 million during the six months ended June 30, 2002. The cash was used primarily for purchases of marketable securities partially offset by the sale of investments and the sale and maturity of marketable securities. Cash used by investing activities was approximately $8.6 million during the six months ended June 30, 2001. The cash used by investing activities was primarily attributable to the purchase of marketable securities, the purchase of property and equipment and an investment in a private company partially offset by proceeds received from the sale and maturity of marketable securities.

Cash provided by financing activities was approximately $214,000 during the six months ended June 30, 2002, and approximately $166,000 during the six months ended June 30, 2001. The cash provided by financing activities during the six months ended June 30, 2002 and 2001 was primarily attributable to proceeds from shares issued under the employee stock purchase plan and stock option exercises.

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required. As of June 30, 2002, four customers accounted for more than 10% each, totaling $1.1 million or 64.2% of the gross accounts receivable balance on that date. The percentage by customer was 23.8%, 18.2%, 11.8%, and 10.4%, respectively, at June 30, 2002. 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.

During the quarter ended June 30, 2002, two customers accounted for more than 10% of total revenue, totaling $1.0 million or 40.7% of total revenue. The percentage by customer was 30.6% and 10.1% respectively, for the quarter ended June 30, 2002. During the quarter ended June 30, 2001, three customers accounted for more than 10% each, totaling $4.0 million or 63.8% of total revenue. The percentage by customer was 25.0%, 23.9%, and 14.9%, respectively, for the quarter ended June 30, 2001. During the six months ended June 30, 2002, one customer accounted for more than 10% of total revenue, totaling $2.6 million or 39.5% of total revenue. During the six months ended June 30, 2001, three customers accounted for more than 10% each, totaling $6.3 million or 57.0% of total revenue. The percentage by customer was 28.2%, 15.3%, and 13.5%, respectively, for the six months ended June 30, 2001.

As a result of BarclaysB2B's recent decision to discontinue its external operations to focus on internal cost reduction, the Company was notified that BarclaysB2B will terminate its current software license and service agreements with the Company effective August 31, 2002. Upon termination the Company will be required to refund to BarclaysB2B prepaid software license and support fees of approximately $2.7 million less costs incurred by the Company associated with terminating the contract. During the six months ended June 30, 2002, revenues from the Company's agreements with BarclaysB2B represented 39.5% of the Company's total revenues for this period.

At the July 15, 2002 meeting of the Company's Board of Directors, the Board resolved to recommend to the stockholders of the Company for approval at the next meeting called for any purpose, that costs incurred by Warren B. Kanders, Burtt R. Erlich and Nicholas Sokolow in connection with the solicitation of proxies for the 2002 annual meeting, be reimbursed by the Company. These costs are approximately $500,000.

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 is due March 15, 2005 and the $5.0 million principal amount was placed in investment grade cash equivalents. Upon the occurrence of a change of control, as defined in the Note, the Company would be required to prepay the outstanding principal amount of the Note, together with any unpaid interest, within five business days after the occurrence of a change of control. As part of the Company's announced strategic alternatives process, many strategic options could constitute a change of control, as defined in the Note, and require a prepayment of the Note, together with any unpaid interest.

At June 30, 2002, the Company had net operating loss carryforwards, research and experimentation credit, and alternative minimum tax credit carryforwards for U.S. federal income tax purposes, which expire in varying amounts beginning in the year 2009. 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.

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 continue to use cash. The Company currently estimates uses of cash to fund operating losses and 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 for the foreseeable future.

The following summarizes the Company's contractual obligations and commercial commitments at June 30, 2002, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

<TABLE>
<CAPTION>

	Total	2002	2003	2004	2005	2006	Thereafter
	-----	----	----	----	----	----	----------
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

(in thousands)							
Long-term debt	$ 5,000	$ -	$ -	$ -	$ 5,000	$ -	$ -
Operating leases	6,990	914	1,774	1,803	1,802	644	53
Total	$ 11,990	$ 914	$ 1,774	$ 1,803	$ 6,802	$ 644	$ 53

</TABLE>

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 former 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 the engagement during the fourth quarter of 2001 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 contract was terminated by the Company during January 2002. No expense was incurred during 2002 and all amounts due E.Com were paid in January, 2002. At the May 21, 2002 Annual Meeting of stockholders, Mr. Johnson was not re-elected a director of the Company.

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 $145,000 during the three months ended March 31, 2002 that is included in general and administrative in the accompanying consolidated statement of operations and expensed $131,000 during the fourth quarter of 2001. The Company expensed an additional $54,000 during the three months ended March 31, 2002 related to further services performed by The Chasm Group that is included in general and administrative in the accompanying consolidated statement of operations. At the May 21, 2002 Annual Meeting of stockholders, Mr. Hewlin was not re-elected a director of the Company.

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.

New Accounting Pronouncements

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". The provisions of SFAS 146 are effective for the Company's 2003 fiscal year. The Company does not believe that SFAS 146 will have a material impact on its financial statements

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS 145 rescinds SFAS 4, "Reporting Gains and Losses from Extinguishment of Debt", SFAS 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS 64, "Extinguishments of Debt Made to Satisfy Sinking Fund Requirements". SFAS 145 amends SFAS 13, "Accounting for Leases", eliminating an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications with similar economic effects as sale-leaseback transactions. This statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under certain conditions. The provisions related to SFAS 13 are effective for transactions occurring after May 15, 2002. All other provisions of the statement are effective for financial statements issued on or after May 15, 2002. The adoption of SFAS 145 did not have a material impact on the Company's financial statements.

At the November 2001 EITF meeting, the FASB released Staff Announcement Topic D-103, "Income Statement Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred" stating that the Staff believes that reimbursements received for out-of-pocket expenses should be characterized as revenue. The Company adopted this Staff Announcement effective January 1, 2002. Historically the Company has not reflected such reimbursements as revenue in its consolidated statements of operations. Upon adoption of this FASB Staff Announcement, comparative financial statements for prior periods were reclassified to provide consistent presentation. The adoption of this FASB Staff Announcement did not have any impact on the Company's financial position or results of operations, however, the Company's services fees revenue and cost of services fees revenue increased by an

equal amount as a result of the gross-up of revenues and expenses for reimbursable expenses. For the three and six months ended June 30, 2002, the Company recorded revenue from reimbursement of out-of-pocket expenses of approximately $62,000 and $150,000, respectively. For the three and six months ended June 30, 2001, the Company's services fees revenue and cost of services fees revenue increased by approximately $202,000 and $470,000, respectively, as a result of the reclassification of these reimbursements.

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 adopted SFAS 144 effective January 1, 2002, which did not have a material impact on the Company's financial statements.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of SFAS 143 are effective for the Company's 2003 fiscal year. The Company does not believe that SFAS 143 will have a material impact on its 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 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values. The Company adopted SFAS 141 upon issuance and adopted SFAS 142 effective January 1, 2002. Upon adoption, the Company tested goodwill for impairment at January 1, 2002 according to the provisions of SFAS 142, which resulted in no impairment required as a cumulative effect of accounting change. In the second quarter of 2002, the Company tested goodwill for impairment according to the provisions of SFAS 142 and intangible assets with definite lives according to SFAS 144 due to certain changes in business strategy that effected the Company's business plans, which resulted in an impairment of $6.7 million of goodwill and $3.6 million of intangible assets with definite lives. The Company recorded $2.2 million and $4.0 million, respectively, of amortization expense related to goodwill during the three and

six months ended June 30, 2001. As a result of adopting SFAS 142, the Company did not recognize any goodwill amortization during the three and six months ended June 30, 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.

Risk Factors

In addition to other information in this quarterly report on Form 10-Q, the following risk factors should be carefully considered in evaluating the Company and its business because such factors currently may have a significant impact on the Company's 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 Company's announced plans to pursue all strategic alternatives to enhance stockholder value have, and are likely to continue to, reduce the demand for the Company's software.

In May 2002 the Company announced that it had retained an investment banking firm to assist the Company in exploring all strategic alternatives to enhance stockholder value. As a result of this announced strategy and steps taken by the Company to reduce its operating expenses, the Company has experienced a decline in the demand for its software and its ability to acquire new customers. The Company has significantly reduced the number of its sales and marketing personnel from approximately 46 in April, 2002 to approximately 3 in August, 2002. Management believes that demand for the Company's software will continue to decline as a result of the Company's announced strategy. Continued decline in demand for the Company's products and services will negatively affect the Company's business, results of operations, liquidity and financial condition.

The Company's announced plans to pursue strategic alternatives has caused, and is likely to continue to cause, the Company to lose its customers.

The uncertainty surrounding the Company's announced strategy to pursue strategic alternatives has caused the Company's customers to question the Company's long-term commitment to its software and electronic commerce products and services. As a result, certain customers have indicated that they may terminate their relationships with the Company. If this uncertainty continues, the Company expects to lose existing software customers.

The Company's ability to execute on its announced strategy to pursue strategic alternatives has been adversely effected by market conditions and the Company's declining business.

Market conditions and the Company's public announcement to seek alternatives such as the sale of the Company, its assets, product lines or adopt a plan of liquidation has made it more difficult for the Company to negotiate the terms of any such transaction. As a result, the Company may not be able to sell the Company, its assets or product lines on terms that are acceptable to the Company or at all. If the Company does not successfully negotiate the sale of the Company, its assets or product lines, the Company may cease operating its software and electronic commerce business.

As the Company pursues its announced strategy of pursuing strategic alternatives, the Company is dependent on certain key executives and employees.

To execute on the Company's announced strategy to reduce its operating expenses and pursue a sale of the Company, its assets, product lines, or plan of

liquidation, the Company must retain critical executives and certain employees that work in the support and services and development areas. The familiarity of these individuals with the Company's current products and services makes them especially critical to the Company's success in executing on any of its announced strategies. The loss of any such key executives or employees could make it more difficult for the Company to pursue and execute on its announced strategies.

There is no guarantee that the Company will continue to operate its software and electronic commerce business.

The Company may use a substantial portion of its cash to acquire a business or businesses that are not related or complementary to the Company's current software and electronic commerce business. The Company may determine not to continue any operations and it may adopt a plan of liquidation. The Company may not be successful in any business it may acquire.

Any acquisitions that the Company attempts or makes could prove difficult to integrate or require a substantial commitment of management time and other resources.

As part of the Company's announced strategy, the Company may seek to acquire or invest in additional businesses, products or technologies that may or may not complement or expand its current business. The Company's management may not have experience in operating the types of business that may be acquired by the Company. In addition, acquisitions, particularly acquisitions of unrelated businesses, involve a number of special problems including:

- executing successful due diligence;
- difficulty integrating acquired technologies, operations and personnel with the existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits; and
- the requirement to record potentially significant additional future operating costs for the amortization of intangible assets.

The Company may not be able to successfully address these problems. Moreover, the Company's future operating results will depend to a significant degree on its ability to successfully integrate acquisitions (if any) and manage operations while also controlling expenses.

In addition, if the Company identifies an appropriate acquisition opportunity, the Company may not be able to negotiate the terms of that acquisition successfully. The Company may not be able to select, manage or absorb or integrate any future acquisitions successfully, particularly acquisitions of large companies. Any acquisition, even if successfully integrated, may not benefit the stockholders.

The softening demand for business-to-business software and related services has and is likely to continue to negatively affect the Company's software business, operating results, liquidity and financial condition.

The Company's 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 and recently, the

Company's announced strategy to pursue strategic alternatives has contributed to and will continue to contribute to lower revenues.

The success of the Company's software business 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 the Company's 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 the Company's product suite and our overall business, operating results, liquidity and financial condition will be materially and adversely affected.

The Company's settlement platform is a new technology product in an evolving market.

The Company's settlement product is a technology that is currently being marketed to early-adopting customers. The Company has limited experience in marketing this product. If the market for the settlement product fails to completely develop or develops more slowly than the Company anticipates or if the Company fails to develop and gain market acceptance of this product, the Company's software business, operating results, liquidity and financial condition could be materially and adversely affected.

The Company's quarterly operations are volatile and default to predict. If the Company fails to meet the expectations of public market analysts or investors the market price of the Company's common stock may decrease significantly.

The Company believes that its quarterly and annual operating results will fluctuate significantly in the future, and the 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 the Company's common stock could decrease substantially.

Because the percentage of the Company's 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, the Company does 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 the Company's quarterly and annual operating results, including:

- changes in the demand for the Company's products;
- the timing, composition and size of orders from the Company's customers;
- customer spending patterns and budgetary resources;
- the Company's success in attracting new customers;
- the timing of introductions or enhancements to the Company's products;
- changes in the Company's pricing policies or those of the Company's competitors;
- the Company's ability to anticipate and adapt effectively to developing markets and rapidly changing technologies;

- the Company's ability to retain and motivate critical personnel,

particularly within the Company's finance and support and services organizations;

- the publication of opinions or reports about the Company, its products, its 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 investments;
- actions taken by the Company's competitors, including new product introductions and enhancements;
- restructuring of the Company's operations and related charges;
- the Company's ability to scale its network and operations to support large numbers of customers, suppliers and transactions;
- the Company's 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
- the Company's ability to control its costs.

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

The Company's stock price is highly volatile.

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

- variations in the Company's quarterly operating results;
- announcements that the Company's revenue or income are below analysts' expectations;
- changes in analysts' estimates of the Company's performance or industry performance;
- changes in market valuations of similar companies;
- sales of large blocks of the Company's common stock;
- announcements by the Company or its 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.

The Company 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 the Company's financial results.

The Company 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 significant 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 the Company's license agreements meet specific criteria in order to recognize revenue when we initially deliver software. Although the Company has standard form license agreements that are designed to meet the GAAP criteria for immediate revenue recognition on delivered elements, the Company does on some occasions negotiate the terms of its license agreements. Some of these negotiated agreements may not meet the GAAP criteria for immediate software revenue recognition on delivered elements.

Although the Company's business model allows for time-based license agreements, the Company continues to record some of its 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.

The Company may not generate the additional revenues and cut operating cost necessary to become profitable.

The Company has incurred significant net losses in each year since its formation. In addition, the Company has incurred significant costs to develop its e-commerce technology and products, and to recruit and train personnel. The Company believes its success is contingent upon increasing its customer base and reducing operating costs. The Company cannot guarantee that it will be able to generate the additional revenue and cut operating costs necessary to be profitable.

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

The Company offers flexible payment methods to its customers. These programs are unproven and represents a significant departure from the fee-based software licensing strategies that the Company has traditionally employed. If the Company does not successfully execute these programs, the market may adopt its products at a slower rate than anticipated and the Company's business may suffer materially.

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

An increase in the length of the Company's sales cycle may contribute to fluctuations in its operating results.

As the Company pursues its announced strategy of exploring and pursuing strategic alternatives, the length of its sales cycle is likely to increase. The

loss or delay of orders due to increased sales and evaluation cycles could materially and adversely affect its business, results of operations, liquidity and financial condition and, in particular, could contribute to significant fluctuations in its quarterly operating results. A customer's decision to license and implement its 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 the Company's applications. The Company's 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 the Company has little or no control.

The Company may not be able to maintain referenceable accounts.

The implementation of the Company's 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. The Company's ability to attract additional customers for its product suite will depend on using its existing customers as referenceable accounts. As a result, the Company's 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 the Company's products and referencability in the future.

Market adoption for the Company's solutions will be impeded if the Company does not continue to establish and maintain strategic relationships.

The Company's success depends in part on the ability of its strategic partners to expand market adoption of its solutions. If the Company is unable to maintain its existing strategic partnerships or enter into new partnerships, the Company would also lose anticipated customer introductions and co-marketing benefits.

The Company relies exclusively on third-party content services providers to provide catalog aggregation and management services to its customers, as part of its procurement solution. If the Company is unable to maintain effective, long-term relationships with its content services providers, or if their services do not meet the Company's customers' needs or expectations, the Company's business could be seriously harmed. If the demand for the Company's solutions increases, the Company will need to develop relationships with additional third-party service providers to provide these types of services. The Company's 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.

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

The Company's international sales and marketing activities makes the Company's business more susceptible to risks associated with international business activities.

The Company is 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;
- potentially adverse tax consequences, including restrictions on the repatriation of earnings;
- increased transaction costs related to sales transactions conducted outside the United States;
- 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 United States;

- adequacy of local infrastructures outside the United States;
- 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.

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

In a number of lawsuits filed against the Company in the fourth quarter of 2000 that are now consolidated into one lawsuit, the Company and several of its 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. This lawsuit diverts the time and attention of management and an adverse judgment could cause the Company's financial condition or operating results to suffer.

In addition, if in connection with the Company's announced strategy to pursue strategic alternatives the Company does not continue its current software business operations, the Company may be subject to claims by its customers under its license agreements.

The Company's estimate of costs associated with our restructuring and related activities may not be adequate.

During 2001 and in April 2002, and in July 2002, the Company's management approved restructuring plans to reorganize and reduce operating costs. Restructuring and related charges of $4.2 million were expensed during 2001, $3.8 million in April 2002 and approximately $1.3 million in July 2002 to better align the Company's cost structure with projected revenue. These charges were comprised of employee separation related costs and facility closures and consolidation costs. If the estimates and assumptions used in the restructuring plan prove to be incorrect the Company may incur additional costs related to these activities. In addition the Company may pursue alternatives to the current facility closures and consolidation plans, including a buy-out of remaining lease obligations, which may result in additional costs.

Defects in the Company's products could delay market adoption of its solutions or cause the Company to commit significant resources to remedial efforts

The Company could lose revenues as a result of software errors or other product defects. The Company's products may perform inadequately in a high volume environment. As a result of their complexity, software products may contain undetected errors or failures when first introduced or as new versions are released. Despite the Company's testing of its software products and their use by current customers, errors may appear in new applications after commercial shipping begins. If the Company discovers errors, it may not be able to correct them.

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

The success of the Company's software products depends on the continued use of Microsoft technologies or other technologies that operate with the Company's products.

The Company's 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 the Company does not support, the Company may not be able to license its software products. Customers may be unable to use the Company's products if they experience significant problems with Microsoft technologies that are not corrected.

Competition from other electronic procurement providers may continue to reduce demand for the Company's products and cause it to reduce the price of its products.

The market for Internet-based procurement applications, and e-commerce technology generally, is intensely competitive. The intensity of competition has increased and is expected to increase in the future. The Company may not compete effectively in its current market or new markets it develops or enters. Competitive pressure has resulted in the Company reducing the price of its products, which has negatively affect its revenues and operating margins. The Company's competitors vary in size and in the scope and breath of the products and services they offer. If the Company is unable to compete effectively in its markets, the Company's business, results of operations, liquidity and financial condition would be materially and adversely affected.

In the e-commerce market, the Company must compete with electronic procurement providers such as Ariba and Commerce One. The Company also encounters competition with respect to different aspects of its solution from companies such as VerticalNet, PurchasePro, FreeMarkets, and i2. The Company also faces 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, the Company expects additional competition from other established and emerging companies, particularly if they acquire one of the Company's competitors.

Many of the Company's 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 the Company does. In addition, many of the Company's competitors have well-established relationships with the Company's current and potential customers and have extensive knowledge of the industry. In the past, the Company has lost potential customers to competitors for various reasons,

including lower prices and incentives not matched by the Company. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with their partners 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. The Company also expects that competition will increase as a result of industry consolidations.

The Company may not be able to compete successfully against its current and future competitors.

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

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

Illegal use of the Company's proprietary technology could result in substantial litigation costs and divert management resources.

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

Litigation may be necessary to enforce the Company's intellectual property rights, to protect its 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 the Company's business, operating results, liquidity and financial condition.

Claims against the Company regarding its proprietary technology could require the Company to pay licensing or royalty fees or to modify or discontinue its products.

Any claim that the Company's products infringe on the intellectual property rights of others could materially and adversely affect the Company's 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 the Company are a continuing risk. Infringement claims against the Company could cause

product release delays, require the Company to redesign its products or require the Company to enter into royalty or license agreements. 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 the Company regarding its proprietary technology and intellectual property licensed from others. Generally, third-party software licensors indemnify the Company from claims of infringement. However, licensors may be unable to indemnify the Company fully for such claims, if at all.

If a court determines that one of the Company's 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 the Company 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 the Company's products infringes a third party's patent or other intellectual property rights, then the Company may be liable to that third party for actual damages and attorneys' fees. If a court finds that the Company 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 the Company's solutions could reduce customer and market confidence in the Company's products or result in claims against the Company.

A significant barrier to Internet-based commerce is the secure exchange of valued and confidential information over public networks. Any compromise of the Company's security technology could result in reduced customer and market confidence in the Company's products and in customer or third party claims against the Company. This could materially and adversely affect the Company's 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 the Company employs 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 the Company's failure to introduce enhancements to its products in a timely manner could render the Company's 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, the Company 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 the Company's products is difficult to estimate.

Products, capabilities or technologies others develop may render the Company's products or technologies obsolete or noncompetitive and shorten the life cycles of the Company's products. Satisfying the increasingly sophisticated needs of the Company's customers requires developing and introducing enhancements to the Company's products and technologies in a timely manner that keeps pace with technological developments, emerging industry standards and customer requirements while keeping

the Company's products priced competitively. The Company's failure to develop and introduce new or enhanced e-commerce products that compete with other available products could materially and adversely affect the Company's software business.

Future governmental regulations could materially and adversely affect the Company's software business and e-commerce generally.

The Company is 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. The Company 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 the Company's application systems could force the Company to discontinue some, or all of its services. These eventualities could adversely affect the Company's software business. The adoption of any laws or regulations covering these issues also could slow the growth of e-commerce generally, which would also adversely affect the Company's software business.

Foreign governmental regulations could also materially and adversely affect the Company's 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 the Company's business is uncertain. These laws could create uncertainty in the marketplace that could reduce demand for the Company's 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 the Company's business, results of operations, liquidity and financial condition.

In addition, because the Company's services are accessible worldwide, and the Company facilitates sales of goods to users worldwide, other jurisdictions may claim that the Company is required to qualify to do business as a foreign corporation in a particular state or foreign country. The Company's failure to qualify as a foreign corporation in a jurisdiction could subject the Company to taxes and penalties and could result in the Company's 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 the Company's business, could have a material and adverse effect on the Company's 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 the Company's 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 the Company's security measures could potentially misappropriate proprietary information or cause interruptions in the Company's operations. Because the Internet is a public network, computer viruses could be introduced to the Company's system or those of the Company's customers or suppliers, thereby disrupting the Company's operational network and making its

services inaccessible. In the event the Company's security measures ever failed, the Company's business and financial condition would be substantially harmed. Furthermore, the Company may be required to expend substantial capital and other resources in order to protect against security breaches and interruptions and in order to keep the Company's security system up-to-date.

Legislation limiting further levels of encryption technology may adversely affect the Company's sales.

As a result of customer demand, it is possible that the Company's 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 the Company's software and the Company's ability to distribute its products outside the United States. Any

revocation or modification of the Company's export authority, unlawful exportation or use of the Company's software or adoption of new legislation or regulations relating to exportation or use of software and encryption technology could materially and adversely affect the Company's sales prospects and, potentially, the Company's business, financial condition, operating results and liquidity as a whole.

Future taxation could harm the Company's business and Internet commerce generally.

The Company files tax returns in such states as required by law based on principles applicable to traditional businesses. The Company does not collect sales or similar taxes in respect of transactions conducted through its software products or trading communications created with the Company's 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 the Company's 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 the Company's ability to license its electronic commerce products.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Risk

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

PART II. OTHER INFORMATION

Item 1. 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.

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

On May 21, 2002 the Annual Meeting of stockholders of the Company was held to elect nominees for director and to ratify the appointment of the Company's independent auditors. The following individuals were elected as directors with

terms to expire in 2005.

Nominee	For	Withheld
Warren B. Kanders	5,223,790	16,658
Burtt R. Erlich	5,223,790	16,658
Nicholas Sokolow	5,223,790	16,658

With respect to the ratification of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2002, the results were as follows:

For	Against	Abstain
9,102,552	25,959	20,235

Item 5. Other Information

At the July 15, 2002 meeting of the Company's Board of Directors, the Board resolved to recommend to the stockholders of the Company for approval at the next meeting called for any purpose, that costs incurred by Warren B. Kanders, Burtt R. Erlich and Nicholas Sokolow in connection with the solicitation of proxies for the 2002 annual meeting, be reimbursed by the Company. These costs are approximately $500,000.

Item 6. Exhibits and Reports on Form 8-K

a) The following Exhibits are filed as part of this report

3.1 Amended and Restated Bylaws

10.1 Amendment to Employment Agreement with Stephen P. Jeffery

10.2 Amendment to Employment Agreement with Steven M. Hornyak

10.3 Amendment to Employment Agreement with Sean Feeney

99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) Reports on form 8-K

None

SIGNATURE

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

CLARUS CORPORATION

Date: August 14, 2002 /s/ James J. McDevitt

James J. McDevitt,
Chief Financial Officer and Secretary

Exhibit 3.1

AMENDED AND RESTATED

BY-LAWS

OF

CLARUS CORPORATION

As Amended on May 20, 2002

ARTICLE I

Corporate Offices

Section 1. Principal and Registered Offices. The principal office of the Corporation shall be located at such place as the Board of Directors may specify from time to time. The registered office of the Corporation shall be located at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 2. Other Offices. The Corporation may have offices at such other places, either within or without the State of Delaware, as the Board of Directors may from time to time determine.

ARTICLE II

Meetings of Stockholders

Section 1. Place of Meeting. Meetings of stockholders shall be held at the principal office of the Corporation or at such other place or places, either within or without the State of Delaware, as shall be designated by the Board of Directors. In the absence of any such designation, meetings of stockholders shall be held at the principal executive office of the Corporation.

Section 2. Annual Meeting. The annual meeting of stockholders shall be held each yearon a date and at a time designated by the Board of Directors. At the annual meeting, directors shall be elected and any other proper business may be transacted.

Section 3. Special Meeting. A special meeting of the stockholders for any purpose or purposes may be called at any time by the Chairman of the Board or the Chief Executive Officer, and shall be called by the Secretary at the written request of, or by resolution adopted by, (a) a majority of the Board of Directors or (b) the holders of a majority of all of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting, in which case, such request shall state the purpose of the proposed meeting.

Section 4. Notice of Meetings. Written or printed notice, stating the place, date and hour of the meeting and, in the case of a special meeting, briefly describing the purpose or purposes of the meeting, shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each stockholder of record entitled to vote at the meeting. Such notice shall be given either personally or by first-class mail or by telegraphic or other written communication. Notices not personally

delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of such stockholder appearing on the books of the

Corporation or given by the stockholder to the Corporation for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

Section 5. Proxies. Each stockholder entitled to vote at a meeting of
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stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of the State of Delaware (or any successor statute).

Section 6. Quorum. Except as otherwise provided by law, the holders of
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a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of business at such meeting. In the absence of a quorum, the chairman of the meeting shall have the power to adjourn the meeting in accordance with Article II, Section 7, of these by-laws. If a quorum is initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by a majority of the stockholders initially constituting a quorum for that meeting.

Section 7. Adjourned Meeting. When a meeting is adjourned to another
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time and place, unless these by-laws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Voting of Shares. Each outstanding share of voting capital
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stock of the Corporation shall be entitled to one vote on each matter submitted to a vote at a meeting of the stockholders, except as otherwise provided in the Certificate of Incorporation of the Corporation. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation or these by-laws, if a quorum is present (a) directors shall be elected by a plurality of the votes of the shares of capital stock of the Corporation present in person or represented by proxy at the meeting and entitled to vote on the election of directors and (b) the affirmative vote of the holders of a majority of shares of capital stock of the Corporation present in person or by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders of the Corporation in all matters other than the election of directors.

Section 9. Stockholder Nominations and Proposals. Nominations for
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election as a director and proposals for stockholder action may be made only by stockholders of the Corporation of record at the time of the giving of notice provided for herein and shall be made in writing and shall be delivered or mailed to the Secretary of the Corporation (a) in the case of an annual meeting of stockholders that is called for a date that is within thirty (30) days before or after the anniversary date of the immediately preceding annual meeting of stockholders, not less than sixty (60) days nor more than ninety (90) days prior to such anniversary date and (b) in the case of an annual meeting of stockholders that is called for a date that is not within thirty (30) days before or after the anniversary date of the immediately preceding annual meeting of stockholders, or in the case of a special meeting of stockholders, not later than the close of business on the tenth (10th) day following the day on which the notice of meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. Such notification shall contain a written statement of the stockholder's proposal and of the reasons therefor, his name and

address and number of shares owned, and, in the case of the nomination of a director, nominations shall contain the following information to the extent known by the notifying stockholder: (i) the name, age and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the nominee's qualifications to serve as a director; (iv) such other information relating to such nominee as required to be disclosed in solicitation of proxies for the election of directors pursuant to the rules and regulations of the Securities and Exchange Commission; (v) the name and residence address of the notifying stockholder; and (vi) the number of shares owned by the notifying stockholder, and shall be accompanied by the nominee's written consent to being named a nominee and serving as a director if elected. A stockholder making any proposal shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended. Nominations or proposals not made in accordance herewith may be disregarded by the chairman of the meeting in his discretion, and upon his instructions all votes cast for each such nominee or for such proposal may be disregarded.

Section 10. Action Without Meeting. Any action which the stockholders could take at a meeting may be taken without a meeting if one or more written consents, setting forth the action taken, shall be signed, before or after such action, by all the stockholders who would be entitled to vote upon the action at a meeting. The consent shall be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. Any person seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary of the Corporation, request the board of directors to fix a record date. The board of directors shall promptly, but in all events within ten days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten days of the date on which such a request was received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by applicable law, shall be the first date on (after the ten-day period) which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of stockholders meetings are recorded, to the attention of the Secretary of the Corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action. If by law, the Corporation is required to give its nonvoting stockholders written notice of the proposed action, it shall do so at least ten (10) days before the action is taken, and such notice must contain or be accompanied by the same material that would have been required by law to be sent to nonvoting stockholders in a notice of meeting at which the proposed action would have been submitted to the stockholders for action.

Section 11. Record Date for Stockholder Notice. The Board of Directors may fix a date as the record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders. Such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and shall not be more than sixty (60) days or less than ten (10) days prior to the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at

the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 12. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of the stock records, either directly or through a transfer agent appointed by the Board of Directors, to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of stockholders entitled to vote at such meeting arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 13. Inspectors of Elections.

(a) Appointment of Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint one or more persons, other than nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the chairman of any such meeting may, and on the request of any stockholder or his proxy shall, appoint inspectors of election at the meeting. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting, or at the meeting by the person acting as chairman.

(b) Duties of Inspectors. The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies and ballots, receive votes, ballots or consents, count and tabulate all votes and ballots, determine the results, retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, certify their determination of the number of shares represented at the meeting and their count of all votes and ballots, and do such acts as may be proper to conduct the election or vote with fairness to all stockholders. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

(c) Vote of Inspectors. If there are more than one inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

(d) Report of Inspectors. On request of the chairman of the meeting or of any stockholder or his proxy, the inspectors shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them is prima facie evidence of the facts stated herein.

ARTICLE III

Board of Directors

Section 1. General Powers. The business and affairs of the

Corporation shall be managed

by or under the direction of the Board of Directors except as otherwise provided by law, the Certificate of Incorporation of the Corporation or these by-laws.

Section 2. Number, Term and Qualification. The Board of Directors of the Corporation shall consist of at least three (3) but not more than seven (7) members, which number shall be determined, from time to time, by resolution adopted by the Board of Directors. The directors shall be classified, with respect to the time for which they severally hold office, into three (3) classes, as nearly equal in number as possible as determined by the Board of Directors, with one class to be elected annually, at a meeting of the stockholders by a plurality of the votes of the shares present in person or by proxy and entitled to vote on the election of directors.

The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the effective date of these Bylaws (the "Effective Date"), the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Effective Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Effective Date. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Effective Date, each of the successors elected as directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Each director shall hold office until the next annual meeting of stockholders at which his term expires and until his successor is elected and qualified, or until his earlier death, resignation or removal pursuant to these by-laws. Directors need not be residents of the State of Delaware or stockholders of the Corporation.

Section 3. Removal. Except as provided in the Certificate of Incorporation or under applicable law, directors may be removed from office only with cause by a vote of the holders of a majority of the shares of capital stock of the Corporation then entitled to vote at an election of directors.

Section 4. Resignation. Any director of the Corporation may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall be effective upon the giving of such notice or at such later time as shall be specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. Any vacancies occurring on the Board of Directors for any reason (including death, resignation, disqualification, removal or other causes) and any newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, even if less than a quorum, at any meeting of the Board of Directors. Notwithstanding the immediately preceding sentence, the Board of Directors may by resolution determine that any such vacancies or newly created directorships shall be filled by the stockholders of

the Corporation. Any director elected in accordance with the foregoing

provisions shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified, or until his earlier resignation or removal pursuant to these by-laws.

Section 6. Compensation. Directors and members of committees may receive such compensation, if any, for their services as such and may be reimbursed for expenses of attendance at meetings of the Board of a committee as may be fixed or determined by resolution of the Board of Directors. Any director may serve the Corporation in any other capacity and receive compensation therefor.

ARTICLE IV

Meetings of Directors

Section 1. Annual Meetings. The annual meeting of the Board of Directors for the purpose of electing officers and transacting such other business as may be brought before the meeting shall be held immediately following the annual meeting of the stockholders at the place where such meeting is held. Notice of annual meetings shall not be required.

Section 2. Regular Meetings. The Board of Directors may by resolution provide for the holding of regular meetings of the Board on specified dates and at specified times. If any date for which a regular meeting is scheduled shall be a legal holiday, the meeting shall be held on the next business day that is not a legal holiday. Regular meetings of the Board of Directors shall be held at the principal executive office of the Corporation or at such other place as may be determined by resolution of the Board of Directors. Notice of regular meetings shall not be required.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the Secretary or a majority of the number of directors constituting the full Board of Directors. Such meetings shall be held at the time and place designated in the notice of the meeting.

Section 4. Notice of Special Meetings. Notice of the time and place of special meetings shall be given to each director (a) in a writing mailed not less than five days before such meeting addressed to the residence or usual place of business of a director, (b) by telecopy or telegram sent not less than two days before such meeting to the residence or usual place of business of a director or (c) in person or by telephone delivered not less than one day before such meeting. Attendance by a director at a meeting for which notice is required shall constitute a waiver of notice, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called. Except as otherwise herein provided, neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice of such meeting.

Section 5. Quorum. A majority of the number of directors fixed from time to time by the Board of Directors shall constitute a quorum for the transaction of business at a meeting of the Board of Directors. If a quorum is initially present, the Board of Directors may continue to transact business, notwithstanding the withdrawal of enough directors to leave less than a quorum, if any action taken is approved by a majority of the directors initially constituting a quorum for that meeting.

Section 6. Adjourned Meeting. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting of the Board of Directors to another time and place. Notice of the time and place of holding an adjourned meeting of the Board of Directors need not be given unless the meeting is adjourned for more than forty-eight (48) hours. If the meeting is adjourned for more

than forty-eight (48) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Article IV, Section 4 of these by-laws, to the directors who were not present at the time of the adjournment.

Section 7. Manner of Acting. Except as otherwise provided by law, these by-laws or the Certificate of Incorporation of the Corporation, the act of the majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors, whether done before or after the action is taken. Such unanimous written consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any articles, certificates or documents filed with the Secretary of State of Delaware, or any other state wherein the Corporation may do business.

Section 9. Meeting by Use of Conference Telephone. Any one or more directors may participate in a meeting of the Board of Directors by means of a conference telephone or similar communications device which allows all persons participating in the meeting to hear each other, and such participation in a meeting shall be deemed presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE V

Committees

Section 1. Designation of Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in these by-laws or in the resolution of the Board of Directors establishing the same, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation; provided, however, that no such committee shall have the power or authority to (a) amend the Certificate of Incorporation of the Corporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (b) adopt an agreement of merger or consolidation under Sections 251, 252, 254 through 258, 263 or 264 of the General Corporation Law of the

State of Delaware, (c) recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, (d) recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or (e) amend these by-laws; and, unless the resolution, these by-laws or the Certificate of Incorporation of the Corporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware. Such

committees or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Minutes. Each committee shall keep minutes of its proceedings and shall report thereon to the Board of Directors when required.

Section 3. Meetings and Action of Committees. Meetings and actions of committees shall be governed by, and held in accordance with, the following provisions of Article IV of these by-laws: Section 2 (regular meetings), Section 3 (special meetings), Section 4 (notice of special meetings), Section 5 (quorum), Section 6 (adjourned meeting), Section 7 (manner of acting), Section 8 (action without meeting) and Section 9 (meeting by use of conference telephone), with such changes in the context of such by-laws as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors, and that notice of special meetings of committees shall also be given to all alternative members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the governance of any committee not inconsistent with the provisions of these by-laws.

ARTICLE VI

Officers

Section 1. Titles. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a Chairman of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Secretary, and a Treasurer. The Board of Directors may also elect a Controller and one or more Vice Presidents and Assistant Secretaries, Assistant Treasurers and such other officers as it shall deem necessary. Except as otherwise provided in these by-laws, the additional officers shall have the authority and perform the duties as from time to time may be prescribed by the Board of Directors. Any two or more offices may be held by the same individual, but no officer may act in more than one capacity where action of two or more officers is required.

Section 2. Election and Term. The officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board held each year immediately following the annual meeting of the stockholders, and each officer shall hold office until the next annual meeting at which officers are to be elected and until his successor is elected and qualified, or until his earlier resignation or removal pursuant to these by-laws.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed, with or without cause, by the Board of Directors, but removal shall be without prejudice to any contract rights of the individual removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Resignation. Any officer of the Corporation may resign at

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any time by giving written notice to the Corporation. Such resignation shall be effective upon the giving of such notice or at such later time as shall be specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. Any vacancies among the officers for any reason
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(including death, resignation, disqualification, removal or other causes) may be filled by the Board of Directors in the

manner prescribed in these by-laws for regular elections to that office.

Section 6. Compensation. The compensation of the officers shall be
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fixed by or under the direction of the Board of Directors. No officer shall be prevented from receiving such compensation by reason of the fact that such officer is also a director of the Corporation.

Section 7. Chairman of the Board. The Chairman of the Board of
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Directors shall preside at meetings of the Board of Directors. The Chairman of the Board may but need not be an employee of the Corporation. If not elected Chief Executive Officer, the Chairman of the Board shall have such other authority and shall perform such other duties as may from time to time be conferred upon him herein or by the Chief Executive Officer.

Section 8. Chief Executive Officer. The Chief Executive Officer shall
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have general charge of the business and affairs of the Corporation, shall have final decision-making authority in the conduct of all business affairs of the Corporation, and shall preside at meetings of the stockholders. The Chief Executive Officer may perform such acts, not inconsistent with the applicable law or the provisions of these by-laws, usually performed by the principal executive officer of a corporation and may sign and execute all authorized notes, bonds, contracts and other obligations in the name of the Corporation. The Chief Executive Officer shall have such other powers and perform such other duties as the Board of Directors shall designate or as may be provided by applicable law or elsewhere in these by-laws.

Section 9. President. The President shall have responsibility for the
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day-to-day operations of the business of the Corporation and shall report to the Chief Executive Officer. The President may perform such acts, not inconsistent with the applicable law or the provisions of these by-laws, usually performed by the chief operating officer of a corporation and may sign and execute all authorized notes, bonds, contracts and other obligations in the name of the Corporation. The President shall have such other powers and perform such other duties as the Board of Directors shall designate or as may be provided by applicable law or elsewhere in these by-laws, and in the event of the disability or death of the Chief Executive Officer, he shall perform the duties of the Chief Executive Officer unless and until a new Chief Executive Officer is elected by the directors.

Section 10. Chief Financial Officer. The Chief Financial Officer of the
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Corporation shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director for a purpose reasonably related to his position as a director. The Chief Financial Officer shall render to the Chief Executive Officer and Board of Directors, whenever they may request it, an account of the transactions of the Corporation and of the financial condition of the Corporation. The Chief Financial Officer shall have such other powers and perform such other duties as the Board of Directors shall designate or as may be provided by applicable law or elsewhere in these by-laws.

Section 11. Vice Presidents. Each Vice President shall have such powers and perform such duties as shall be assigned to him by the Board of Directors.

Section 12. Secretary. The Secretary shall keep, or cause to be kept, accurate records of the acts and proceedings of all meetings of stockholders and of the Board of Directors and shall give all notices required by law and by these by-laws. The Secretary shall have general charge of the corporate books and records and of the corporate seal and shall affix the corporate seal to any lawfully executed instrument requiring it. The Secretary shall have general charge of the stock transfer books of the

Corporation and shall keep, or cause to be kept, at the principal office of the Corporation a record of stockholders, showing the name and address of each stockholder and the number and class of the shares held by each stockholder. The Secretary shall sign such instruments as may require the signature of the Secretary, and in general may perform such acts, not inconsistent with the applicable law or the provisions of these by-laws, usually performed by the secretary of a corporation. The Secretary shall have such other powers and perform such other duties as the Board of Directors shall designate from time to time.

Section 13. Assistant Secretaries. Each Assistant Secretary shall have such powers and perform such duties as may be assigned by the Board of Directors, and the Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability to act.

Section 14. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep and maintain, or cause to be kept and maintained, full and accurate accounts of receipts and disbursements. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse funds of the Corporation as may be ordered by the Board of Directors, the Chief Executive Officer or the President, taking proper vouchers for such disbursements. The Treasurer shall also have such powers and perform such duties incident to the office as may be assigned from time to time by the Board of Directors.

Section 15. Assistant Treasurers. Each Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Board of Directors, and the Assistant Treasurers shall exercise the powers of the Treasurer during that officer's absence or inability to act.

Section 16. Controller and Assistant Controllers. The Controller shall have charge of the accounting affairs of the Corporation and shall have such other powers and perform such other duties as the Board of Directors shall designate. The Controller shall report to the Chief Financial Officer. Each Assistant Controller shall have such powers and perform such duties as may be assigned by the Board of Directors, and the Assistant Controllers shall exercise the powers of the Controller during that officer's absence or inability to act.

Section 17. Voting Upon Stocks. Unless otherwise ordered by the Board of Directors, the Chief Executive Officer shall have full power and authority on behalf of the Corporation to attend, act and vote at meetings of the stockholders of any Corporation in which this Corporation may hold stock, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such stock and which, as the owner, the Corporation might have possessed and exercised. The Board of Directors may by resolution from time to time confer such power and authority upon any other person or persons.

ARTICLE VII

Capital Stock

Section 1. Certificates. Certificates for shares of the capital stock of the Corporation shall be in such form not inconsistent with the certificate of incorporation of the Corporation as shall be approved by the Board of Directors. The certificates shall be consecutively numbered or otherwise identified. The name and address of the persons to whom they are issued, with the number of shares and date of issue, shall be entered on the stock transfer records of the Corporation. Each certificate shall be signed by the Chief Executive Officer or President and by the Secretary or any Assistant Secretary;

provided, that where a certificate is signed by a transfer agent of the Corporation, the signatures of such officers of the Corporation upon the certificate may be by facsimile, engraved or printed. Each certificate shall be sealed with the seal of the Corporation or a facsimile thereof.

Section 2. Transfer of Shares. Transfer of record of shares of stock of the Corporation shall be made on the stock transfer books of the Corporation only upon surrender of the certificate for the shares sought to be transferred by the record holder or by a duly authorized agent, transferee or legal representative. All certificates surrendered for transfer shall be cancelled before new certificates for the transferred shares shall be issued.

Section 3. Restrictions on Transfer of Shares. The Corporation shall have the power to enter into and perform any agreement with any stockholders of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of the State of Delaware.

Section 4. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents and one or more registrars of transfers and may require all stock certificates to be signed or countersigned by the transfer agent and registered by the registrar of transfers.

Section 5. Regulations. The Board of Directors shall have power and authority to make rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of capital stock of the Corporation.

Section 6. Lost Certificates. The Board of Directors may authorize the issuance of a new certificate in place of a certificate claimed to have been lost or destroyed, upon receipt of an affidavit from the person explaining the loss or destruction. When authorizing issuance of a new certificate, the Board of Directors may require the claimant to give the Corporation a bond in a sum as it may direct to indemnify the Corporation against loss from any claim with respect to the certificate claimed to have been lost or destroyed; or the Board of Directors may, by resolution reciting that the circumstances justify such action, authorize the issuance of the new certificate without requiring a bond.

ARTICLE VIII

General Provisions

Section 1. Dividends. The Board of Directors may from time to time s

declare, and the Corporation may pay, dividend out of its earned surplus on its outstanding shares in the manner and upon the terms and conditions provided by law.

Section 2. Record Date for Purposes Other Than Stockholder Notice. The Board of Directors may fix a date as the record date for the purpose of determining stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not precede the date upon which the resolution fixing the record date is adopted and shall not be more than sixty (60) days prior to such action. If no record date is fixed by the Board of Directors, the record date for determining stockholders for any such purpose shall be at the close of business on the date on which the Board of Directors adopts the resolution relating thereto.

Section 3. Seal. The seal of the Corporation shall have inscribed thereon the name of the

Corporation and "Delaware" around the perimeter, and the words "Corporate Seal" in the center.

Section 4. Waiver of Notice. Whenever notice is required to be given to a stockholder, director or other person under the provisions of these by-laws, the certificate of incorporation of the Corporation or by applicable law, a waiver in writing signed by the person or persons entitled to the notice, whether before or after the time stated in the notice, shall be equivalent to giving the notice.

Section 5. Depositories and Checks. All funds of the Corporation shall be deposited in the name of the Corporation in such bank, banks or other financial institutions as the Board of Directors may from time to time designate and shall be drawn out on checks, drafts or other orders signed on behalf of the Corporation by such person or persons as the Board of Directors may from time to time designate.

Section 6. Bond. The Board of Directors may by resolution require any or all officers, agents and employees of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with such other conditions as may from time to time be required by the Board.

Section 7. Loans to Officers. The Corporation may lend money to, or guarantee any obligation of, or otherwise assistany officer or other employee of

the Corporation or of its subsidiaries, including any officer or employee who is a director of the Corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the Corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in these by-laws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

Section 8. Fiscal Year. The fiscal year of the Corporation shall be the period ending on December 31 of each year or such other period as the Board of Directors shall from time to time determine.

Section 9. Indemnification of Directors and Officers.

(a) Right to Indemnification. The Corporation shall, to the

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maximum extent and in the manner permitted by the General Corporation Law of the State of Delaware as the same now exists or may hereafter be amended, indemnify any person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was a director or officer of the Corporation. For purposes of the foregoing provisions, a "director" or "officer" of the Corporation shall mean any person (a) who is or was a director or officer of the Corporation, (b) who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise or (c) who was a director or officer of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation. The Corporation shall be required to indemnify a director or officer in connection with an action, suit or proceeding (or part thereof) initiated by such director or officer only if the initiation of such action, suit or proceeding (or part thereof) by the director or officer was authorized by the Board of Directors of the Corporation. The Corporation shall pay the expenses (including attorneys' fees) incurred by a director or officer of the Corporation entitled to indemnification hereunder in defending any action, suit or proceeding referred to in the immediately preceding paragraph in advance of its final disposition;

provided, however, that payment of expenses incurred by a director or officer of the Corporation in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it shall ultimately be determined that the director or officer is not entitled to be indemnified under this Article VIII, Section 9 or otherwise. Any repeal or modification of the foregoing provisions of these by-laws shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

(b) Right of Indemnitee to Bring Suit. If a claim under
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paragraph (a) of this Section is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the person claiming indemnification may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by a person claiming indemnification to enforce a right to indemnification hereunder (but not in a suit brought by any such person to enforce a right to an advancement of expenses), it shall be a defense that such person has not met the applicable standard of conduct set forth in the General Corporation Law of the Stateof Delaware. In any suit by the Corporation to recover an advancement ofexpenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that such person has not met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of any such suit that indemnification is proper in the circumstances because the person claiming indemnification has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by a person claiming indemnification, be a defense to such suit. In any suit brought by a person claiming indemnification to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that such person is not entitled to be

indemnified or to such advancement of expenses under this Section or otherwise shall be on the Corporation.

(c) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the certificate of incorporation of the Corporation, these by-laws, by agreement, by vote of stockholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss under the General Corporation Law of the State of Delaware.

(e) Indemnification of Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 10. Amendments. Except as otherwise provided herein, these by-laws may be amended or repealed and new by-laws may be adopted by the affirmative vote of the holders of a majority of the capital stock issued and outstanding and entitled to vote at any meeting of stockholders or by resolution adopted by the affirmative vote of not less than a majority of the number of directors of the Corporation. The provisions of Article II-Section 9, Article III-Section 2, Article VIII-Section 9, and this Article VIII-Section 10 may only be altered, amended or repealed by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of Common Stock.

EXHIBIT 10.1

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is made effective as of the 3rd day of May, 2002, by and between Clarus Corporation, a Delaware corporation (the "Company") and Stephen P. Jeffery, a Georgia resident, ("Employee").

WHEREAS, the Company and Employee have entered into an Employment Agreement dated as of January 1, 2000 (the "Employment Agreement"); and

WHEREAS, the Company and Employee desire to amend the Employment Agreement as provided herein.

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. Amendment.

(a) Section 2 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"Term. The initial term of this Agreement will commence on the date set forth above and will terminate on December 31, 2002, unless said Agreement is terminated at an earlier date as provided herein. The Agreement shall thereafter 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 initial term or the one year renewal term then in effect; provided, however, that all post-termination obligations under Sections 4, 5, 6 and 7 shall survive termination or expiration of this Agreement as provided herein. Notwithstanding anything to the contrary herein, the election by the Company not to renew this Agreement at the end of the initial or any renewal term hereunder shall constitute termination without Cause, and Employee shall be entitled to receive the payments and other benefits provided under Section 4(c)."

(b) The first sentence of Section 4(c) is hereby deleted in its entirety and replaced with the following:

"In the event the Company terminates this Agreement without Cause or elects not to renew this Agreement at the end of the initial or any renewal term, then Employee shall be entitled to (i) severance pay in the form of continuation of his annualized Base Salary for a period of one (1) year from the date of such termination, which 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."

The remainder of Section 4(c) remains in effect as provided in the Employment Agreement.

(c) Section 7 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"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; provided that neither the provisions of this Section 7 nor anything in this Agreement shall require Employee to tender his resignation from the Company's Board of Directors at any time, it being specifically understood that Employee may continue to serve in such capacity following termination of this Agreement".

2. Continued Effect of Agreement. Except as specifically set forth in this Amendment, the Employment Agreement continues in full force and effect in accordance with its terms. All references in the Employment Agreement to the "Agreement" shall be deemed to mean the Employment Agreement as amended hereby.

3. Miscellaneous. The provisions of Sections 10 of the Employment Agreement shall apply also to this Amendment.

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

THE COMPANY:	EMPLOYEE:
CLARUS CORPORATION	
By: /s/ Stephen P. Jeffery	/s/ Stephen P. Jeffery
Title: Chairman, Chief Executive Officer, President	Stephen P. Jeffery

EXHIBIT 10.2

ADDENDUM TO EMPLOYMENT AGREEMENT

THIS ADDENDUM TO EMPLOYMENT AGREEMENT ("Agreement") is entered into and made effective as of the 19th day of February, 2002 between Clarus Corporation, a Delaware corporation ("Company"), and Steven M. Hornyak, a resident of Georgia ("Employee") (collectively, the "Parties").

WHEREAS, Employee is employed by the Company and the Parties have previously entered into that certain Employment Agreement between Employee and the Company dated as of April 1, 2001 (the "Employment Agreement"), and the parties desire to modify certain agreements concerning such employment as set forth 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. Subject to the provisions below, the Parties acknowledge that the Employee's employment with the Company will continue until the earlier of (i) March 7, 2003, or (ii) such time as Employee commences new employment (as defined below). From and after the date hereof and until termination of Employee's employment with the Company, Employee's full time duties will include such services as may be requested by the Chief Executive Officer of the Company from time to time, it being understood that it is not required that Employee perform such duties at the offices of the Company. The Company agrees that in the event that Employee's employment with the Company terminates prior to March 7, 2003, the Company will continue to pay to Employee his current base salary as severance until July 7, 2002, and thereafter until the earlier of: (x) March 7, 2003, or (y) such date on which Employee commences new employment. For purposes of this Agreement, commencement of new employment shall mean that Employee has undertaken contract employment or service as a consultant or independent contractor of greater than 20 hours per week and/or full time employment, but shall specifically not include volunteer work for no compensation. Payments made hereunder shall be payable on a semi-monthly basis in accordance with the Company's regular payroll practices and subject to any and all withholdings pursuant to applicable law, and will be mailed to Employee at his most recent home address as reflected by the Company's personnel/payroll files. Employee will also be paid a prorata portion of any incentive compensation earned by Employee for the first quarter 2002, per Employee's 2001 Compensation Plan, prorated through March 8, 2002, but will not be entitled to any additional incentive compensation after such date.

2. Stock Options. The parties acknowledge that Employee will have a period of ninety days following the date of the termination of his employment to exercise any Company stock options that are, or become vested prior to the termination of his employment with the Company.

3. Employee Benefits. The Parties understand and agree that effective with the termination of Employee's employment with the Company, all of Employee's benefits with the Company will terminate, 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) March 7, 2003, or (b) the last day of the month in which Employee becomes enrolled and insured under new insurance coverage.

4. Release and Waiver. As of the date hereof and as of the date of termination of Employee's employment with the Company (which shall be affirmed at such time by Employee's acceptance of any severance payment hereunder), 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. Specifically, Employee acknowledges that such claims or potential claims include (but are not limited to) those that may have arisen from or were related to:

(a) his employment with the Company;
(b) the cessation of his 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. ss. 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. ss. 2611 et seq., Executive Order 11246, the Employee Retirement Income Security Act of 1974 (ERISA), the Veterans' Reemployment Rights Act, 38 U.S.C. ss.ss. 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 hereby covenants not to sue the Company (or any other person or entity listed above) on account of any claim released hereby, excluding any claim that may arise out of compliance with or enforcement of this Agreement.

5. 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.

6. No Admission of Liability. No part of this Agreement or any action on the part of either Party in resolving the matters set forth herein 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.

7. Non-Disparagement. 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 will not undertake any disparaging or harassing conduct directed at Employee and that it shall provide positive reference information as reasonably requested by Employee.

8. 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 Employment Agreement including, specifically those covenants

contained in Paragraphs 5(a), (b), (c) and (d) of said Employment Agreement, which Employee acknowledges, by the terms thereof, will survive the cessation and termination of Employee's employment with the Company. All such obligations and covenants contained in said Employment Agreement are hereby incorporated by express reference as if fully set forth herein.

Employee further acknowledges that by virtue of his position with the Company, Employee has been given an opportunity to participate in strategic planning with respect to competitors of the Company and has been 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 of the Company in a capacity similar to the capacity in which Employee is employed by the Company. Employee therefore specifically hereby affirms the post-termination restrictive covenants set forth in Section 5(a) of the Employment Agreement and agrees to fully comply with the terms thereof.

9. 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; provided that Employee shall be entitled to retain his laptop computer.

10. 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.

11. Entire Agreement; Modification; Governing Law. This Agreement (including the continuing and surviving covenants or obligations contained in the Employment Agreement 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. To the extent of any conflict between the provision of Sections 2 and 3 of this Agreement and the terms of the Employment Agreement, the parties agree that this Agreement shall control. 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 contained in Paragraph 5 of the Employment Agreement shall be governed and enforced in accordance with the laws of the state in which enforcement of such provisions is sought.

12. 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.

13. 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.

14. 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 and shall be entitled to recovery thereof to the extent such has already been provided.

15. 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.

16. Non-Waiver. The failure of the Company or Employee 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 or Employee to assert or rely upon any such provision, right or remedy in that or any other instance.

17. 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 Paragraph 7 hereof or Paragraphs 5 of said Employment Agreement, 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.

IN WITNESS WHEREOF, the Parties have read, understand, and do voluntarily execute this Addendum to Employment Agreement.

EMPLOYEE

/s/ Steven M. Hornyak

Steven M. Hornyak

Date: 2/19/02

COMPANY

Clarus Corporation

By: /s/ Stephen P. Jeffery

Stephen P. Jeffery

Date: 2/20/02

EXHIBIT 10.3

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is made effective as of the 20th day of May, 2002, by and between Clarus Corporation, a Delaware corporation (the "Company") and Sean E. Feeney, a Georgia resident, ("Employee").

WHEREAS, the Company and Employee have entered into an Employment Agreement dated as of August 15, 2001 (the "Employment Agreement"); and

WHEREAS, the Company and Employee desire to amend the Employment Agreement as provided herein.

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. Amendments.

(a) Section 2 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

> "Term. The initial term of this Agreement will commence on the date set forth above and will terminate on December 31, 2002, unless said Agreement is terminated at an earlier date as provided herein. The Agreement shall thereafter 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 initial term or the one year renewal term then in effect; provided, however, that all post-termination obligations under Sections 4, 5, 6 and 7 shall survive termination or expiration of this Agreement as provided herein. Notwithstanding anything to the contrary herein, the election by the Company not to renew this Agreement at the end of the initial or any renewal term hereunder shall constitute termination without Cause, and Employee shall be entitled to receive the payments and other benefits provided under Section 4(c)."

The remainder of Section 2 shall remain in effect as provided in the Employment Agreement.

(b) The first two sentences of Section 4(c) of the Employment Agreement are hereby deleted in their entirety and replaced with the following:

> "In the event the Company terminates this Agreement without Cause or elects not to renew this Agreement at the end of the initial or any renewal term, then Employee shall be entitled to (A) severance pay in the form of continuation of his annualized Base Salary until the earlier of (i) a period of six months from the date of such termination, or (ii) Employee's earlier commencement of employment with any other entity; plus (B) a pro rata portion of his incentive bonus, if any, contemplated by Section 3(a) of this Agreement for the quarter in which his employment terminated based upon the number of days in the quarter elapsed prior to such termination. 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."

The remainder of Section 4(c) shall remain in effect as provided in the Employment Agreement.

2. Continued Effect of Agreement. Except as specifically set forth in this Amendment, the Employment Agreement continues in full force and effect in accordance with its terms. All references in the Employment Agreement to the "Agreement" shall be deemed to mean the Employment Agreement as amended hereby.

3. Miscellaneous. The provisions of Sections 10 of the Employment

Agreement shall apply also to this Amendment.

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

THE COMPANY:	EMPLOYEE:
CLARUS CORPORATION	
By: /s/ Stephen P. Jeffery	/s/ Sean E. Feeney
Title: Chief Executive Officer	Sean E. Feeney

EXHIBIT 99.1

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

In connection with the Quarterly Report of Clarus Corporation (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Jeffery, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Stephen P. Jeffery

Chief Executive Officer
August 14, 2002

EXHIBIT 99.2

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

In connection with the Quarterly Report of Clarus Corporation (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. McDevitt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ James J. McDevitt

Chief Financial Officer
August 14, 2002