

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 333-75137

PASW, INC.

(Exact name of registrant as specified in its charter)

California

77-0390628

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

9453 Alcosta Boulevard

San Ramon, California

94583

(Address of principal executive offices)

(Zip Code)

(925) 828-0934

Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

There were 4,997,400 shares outstanding of the registrant's Common Stock, par value \$.001 per share, as of October 30, 2002.

PASW, INC.

INDEX

PART I – FINANCIAL INFORMATION

Page  
No.

<b>Item I. Financial Statements (Unaudited):</b>	
<b>Balance Sheets at September 30, 2002 and December 31, 2001</b>	<b>3</b>
<b>Statements of Operations for the three months ended September 30, 2002 and 2001</b>	<b>5</b>
<b>Statements of Operations for the nine months ended September 30, 2002 and 2001</b>	<b>6</b>
<b>Statements of Cash Flows for the nine months ended September 30, 2002 and 2001</b>	<b>8</b>
<b>Notes to Condensed Financial Statements</b>	<b>9</b>
<b>Item 2. Management's Discussion and Analysis or Plan of Operations</b>	<b>10</b>
<b>PART II – OTHER INFORMATION</b>	
<b>Item 1. Legal Proceedings</b>	<b>17</b>
<b>Item 2. Changes in Securities and Use of Proceeds</b>	<b>17</b>
<b>Item 3. Defaults Upon Senior Securities</b>	<b>17</b>
<b>Item 4. Submission of Matters to a Vote of Security Holders</b>	<b>17</b>
<b>Item 5. Other Information</b>	<b>17</b>
<b>Item 6. Exhibits and Reports on Form 8-K</b>	<b>17</b>
<b>Signatures</b>	<b>18</b>

- 2 -

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**PASW, INC.**

**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	<b>September 30, 2002</b>	<b>December 31, 2001</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
<b>Current assets:</b>		
<b>Cash and cash equivalents</b>	<b>\$ 129,742</b>	<b>\$ 152,148</b>
<b>Accounts receivable, net of allowance of \$0 and \$0</b>	<b>27,364</b>	<b>43,855</b>
	<hr/>	<hr/>

Total current assets	157,106	196,003
	<hr/>	<hr/>
Property and equipment less accumulated depreciation and amortization of \$53,784 and \$50,584	3,054	5,847
Other assets	6,036	5,643
	<hr/>	<hr/>
Total assets	\$ 166,196	\$ 207,493
	<hr/>	<hr/>

See accompanying notes to condensed financial statements.

- 3 -

PASW, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2002	December 31, 2001
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 112,501	\$ 124,828
Note payable	32,075	32,075
	<hr/>	<hr/>
Total current liabilities	\$144,576	\$ 156,903
	<hr/>	<hr/>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, par value \$.01 per share, 10,000,000 shares authorized; no shares outstanding	0	0
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 4,997,400 and 4,997,400 shares issued and outstanding	4,998	4,998
Additional paid in capital	6,398,754	6,398,754
Accumulated deficit	(6,387,188)	(6,365,670)
Cumulative adjustment for currency translation	5,056	12,508
	<hr/>	<hr/>

Total stockholders' equity	21,620	50,590
	<u>\$ 166,196</u>	<u>\$ 207,493</u>

See accompanying notes to condensed financial statements.

- 4 -

**PASW, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

Three Months Ended

	September 30, 2002	September 30, 2001
<b>Net revenue</b>		
<b>Sales</b>	\$ 71,146	\$ 21,919
<b>Royalties and other</b>	20,576	40,883
	<u>91,722</u>	<u>62,802</u>
<b>Cost of revenue -</b>		
<b>Purchases and royalty fees</b>	34,020	30,646
<b>Gross profit</b>	57,702	32,156
<b>Expenses:</b>		
<b>Selling, general and administrative</b>	54,596	38,367
<b>Depreciation and amortization</b>	1,600	0
	<u>56,196</u>	<u>38,357</u>
<b>Other income (expenses):</b>	-	(84)
<b>Loss on sale of securities</b>	-	17,241

Gain on cancellation of debt	-	17,157
Net income	\$ 1,506	\$ 10,956
Net income per common share: basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average common stock shares outstanding Basic and diluted	4,997,400	4,640,900

See accompanying notes to condensed financial statements.

- 5 -

**PASW, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

Nine Months Ended

	September 30, 2002	September 30, 2001
Net revenue		
Sales	\$ 237,671	\$ 392,721
Royalties and other	97,044	106,743
	334,715	499,464
Cost of revenue -		
Purchases and royalty fees	118,684	276,796
Gross profit	216,031	222,668
Expenses:		
Selling, general and administrative	234,349	178,033

Depreciation and amortization	3,200	0
	<u>237,549</u>	<u>178,033</u>
Other income (expenses):		
Loss on sale of securities	0	(31,417)
Gain on cancellation of debt	0	21,741
	<u>0</u>	<u>( 9,676)</u>
Net income (loss)	<u>\$ (21,518)</u>	<u>\$ 34,959</u>
Net income (loss) per common share:		
basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average common stock shares outstanding Basic and diluted		
	<u>4,997,400</u>	<u>4,640,900</u>

See accompanying notes to condensed financial statements.

- 6 -

PASW, INC.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

	Three Months Ended	
	September 30, 2002	September 30, 2001
Net income (loss)	\$ 1,506	\$ 10,956
Other comprehensive income (loss):		
Net unrealized loss on available securities for sale	0	(4,568)
Foreign currency translation adjustment	6,355	57,278
Comprehensive income (loss)	<u>\$ 7,861</u>	<u>\$ 63,666</u>

PASW, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
Net income (loss)	\$ (21,518)	\$ 34,959
Other comprehensive income (loss):		
Net unrealized loss on available securities for sale	0	0
Foreign currency translation adjustment	( 7,452)	90,287
Comprehensive gain (loss)	\$ (28,970)	\$ 125,246

See accompanying notes to condensed financial statements.

- 7 -

PASW, INC.

STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
Cash flows from operating activities:		
Continuing operations		
Net income (loss)	\$ (21,518)	\$ 34,959
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,200	0
(Increase) decrease in assets:		
Accounts receivable	16,491	142,955

Loss on marketable securities	0	(31,417)
Prepaid expenses	0	30,867
Other assets	(393)	290
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,327)	(545,428)
Net cash used in operating activities	(14,547)	(367,774)
Cash flows from investing activities:		
Acquisition of fixed assets	0	(1,677)
Disposition of assets, net	0	699
Proceeds of sale or marketable securities	0	366,458
Purchase of marketable securities	0	( 136,500)
Net cash from (used) in investing activities	0	228,980
Cash flows from financing activities:		
Net cash provided by financing activities	0	0
Effect of exchange rate changes on cash	( 7,859)	90,286
Net increase (decrease) in cash	( 22,406)	(48,508)
Cash – Beginning	152,148	254,369
Cash – Ending	\$ 129,742	\$ 205,861

Supplemental non-cash financing activities: None

See accompanying notes to condensed financial statements.

- 8 -

PASW, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

**Basis of presentation**

The accompanying unaudited consolidated financial statements of PASW, INC. ("PASW", or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the Company's financial position at September 30, 2002, the results of operations for the three months and nine months ended September 30,

2002 and September 30, 2001, and the cash flows for the nine months ended September 30, 2002 and September 30, 2001 are included. Operating results for the three-month and nine month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

The information contained in this Form 10-QSB should be read in conjunction with audited financial statements and related notes for the year ended December 31, 2001 which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the "SEC") on March 26 2002 and the Company's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on July 29, 1999 (File 333-75137).

### **Earnings per share**

The Company adopted SFAS No. 128, "Earnings Per Share", during 1998. SFAS No. 128 requires presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts, such as stock options, to issue common stock were exercised or converted into common stock. All prior period weighted average and per share information has been restated in accordance with SFAS No. 128.

- 9 -

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

### **Cautionary Note Regarding Forward-Looking Statements**

Except for historical information contained herein, the statements in this report (including without limitation, statements indicating that the Company "expects," "estimates," "anticipates," or "believes" and all other statements concerning future financial results, product offerings, proposed acquisitions or combinations or other events that have not yet occurred) are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended.

Forward-looking statements involve known and unknown factors, risks and uncertainties, which may cause the Company's actual results in future periods to differ materially from forecasted results. Those factors, risks and uncertainties include, but are not limited to; the consummation of possible acquisitions or combinations; and the Company's ability to integrate acquired or combined operations with its existing business and otherwise manage growth; and the Company's ability to generate or obtain additional capital resources to fund its operations and growth.

Additional information on these and other risk factors are included in the "Factors That May Affect Future Results" section in the Company's Annual Report on Form 10-KSB filed with the SEC on March 26, 2002, Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgement, belief and expectations only as of the date hereof. PASW undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

### **General**

PASW, Inc., formerly Pacific Softworks, Inc., incorporated in California in November 1992, has historically developed and licensed Internet and Web related software and software development tools that enable communications, based on a set of rules known as protocols. The Company's products were embedded into systems and developed or manufactured by others. In August 2000, the Company sold all of the assets of its Internet and Web operations. Since that time, the Company's operations, consisting of sales of software and licenses, have been conducted principally through an administrative office in Northern California and a sales office in Japan.

The Company operates in one business segment. The Company's fiscal year ends on December 31

- 10 -

## Results of Operations

The following table sets forth, for the periods indicated, the percentage relationship to net revenue of certain items in the consolidated statements of operations and comprehensive income

	Unaudited		Unaudited	
	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net revenue	100.00%	100.00%	100.00%	100.00%
Cost of revenue	<u>37.09</u>	<u>48.80</u>	<u>35.45</u>	<u>55.42</u>
Gross profit	<u>62.91</u>	<u>51.20</u>	<u>64.55</u>	<u>44.58</u>
Selling, general and administrative	59.53	61.07	70.00	35.64
Research and development	0.00	0.00	0.00	0.00
Depreciation and Amortization	<u>01.74</u>	<u>0.00</u>	<u>0.97</u>	<u>0.00</u>
Total expenses	<u>61.27</u>	<u>61.07</u>	<u>70.97</u>	<u>35.64</u>
Other income (expense)	<u>0.00</u>	<u>27.32</u>	<u>0.00</u>	<u>(1.94)</u>
Net income (loss)	<u>1.64%</u>	<u>17.45%</u>	<u>(6.42)%</u>	<u>7.00%</u>

The following table sets forth, for the periods indicated, the percentage of net revenue by principal geographic area to total revenue:

	Unaudited		Unaudited	
	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
United States	0%	0%	0%	0%
United Kingdom and Europe	0%	0%	0%	0%
Japan and Asia	100%	100%	100%	100%
Other	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Three months ended September 30, 2002 and 2001.

Net revenue

For the three months ended September 30, 2002 revenues increased 46% to \$91,722 from \$62,802 for the three months ended September 30, 2001. License revenue increased 225% for the period ended September 30, 2002 from the three months ended September 30, 2001 however royalty revenue decreased 50% for the three months ended September 30, 2002. All license and royalty revenue was generated by the Company's operations in Japan.

#### **Cost of revenue**

The cost of revenue for the three months ended September 30, 2002 was \$34,020 or 37% of sales compared to \$30,646 or 49% of sales for the three months ended September 30, 2001. The decrease in cost of sales reflects a more normal cost structure in 2002. In the three months ended September 30, 2001 the cost of sales contained clean up of old license costs in our Japanese subsidiary.

#### **Selling, general and administrative**

Selling, general and administrative expense was \$54,596 for the three months ended September 30, 2002 compared to \$38,357 for the three months ended September 30, 2001. The increase in 2002 includes the closure of principally all operations except those associated with our Japanese subsidiary and seeking a reverse merger or other financial transactions for the Company.

#### **Depreciation and amortization**

Depreciation and amortization was \$1,600 in the three months ended September 30, 2002 compared to \$0 for the three months ended September 30, 2001 principally created by the continuing operations of our Japanese subsidiary.

#### **Other income and expenses**

During the three months ended September 30, 2002 the Company had \$0 other income and expenses compared to a loss on sale of securities of \$84 and a cancellation of debt of \$17,241 in the three months ended September 30, 2001.

- 12 -

#### **Nine months ended September 30, 2002 and 2001.**

##### **Net revenue**

For the nine months ended September 30, 2002 revenues decreased 33% to \$334,715 from \$499,464 for the nine months ended September 30, 2001. License sales for the nine months ended September 30, 2002 decreased 39% and royalty income decreased 9% due to lower sales in the weak Japanese economy.

##### **Cost of revenue**

The cost of revenue for the nine months ended September 30, 2002 was \$118,684 or 35% of sales compared to \$276,796 or 55% of sales for the nine months ended September 30, 2001. The decrease in cost of sales reflects a more normal cost structure in 2002. In the nine months ended September 30, 2001 the cost of sales contained clean up of old license costs in our Japanese subsidiary.

##### **Selling, general and administrative**

Selling, general and administrative expense was \$234,349 for the nine months ended September 30, 2002 compared to \$178,033 for the nine months ended September 30, 2001. The level of expenses in both years reflects the closure of all operations in the Company except continuing operations of our Japanese subsidiary and those expenses associated with seeking a reverse merger or other financial transactions for the Company.

## **Depreciation and amortization**

Depreciation and amortization was \$3,200 in the nine months ended September 30, 2002 compared to \$0 for the nine months ended September 30, 2001. The depreciation is principally in our Japanese subsidiary after reflecting the sale of assets in the United States to another company and the write down of the Company's remaining operating assets at the end of December 2000.

## **Other income and expenses**

During the nine months ended September 30, 2002 the Company had \$0 other income and expenses. During the nine months ended September 30, 2001 the company had a net loss on the sale of marketable securities of \$31,417 and income of \$21,741 through the cancellation of certain debts.

- 13 -

## **Liquidity and capital resources**

At September 30, 2002 and December 31, 2001 the Company had working capital of \$12,530 and \$39,100 and cash and cash equivalents of \$129,742 and \$152,148.

The Company used \$14,547 in cash flow from operating activities in the nine months ended September 30, 2002 compared to using \$367,774 in the nine months ended September 30, 2001. The decrease in use of cash of \$353,227 was the result of an decrease of \$126,464 in accounts receivable, a decrease in accounts payable and accrued expenses of \$533,101, a decrease of \$31,260 in prepaid expenses and a decrease of \$31,417 on losses on marketable securities. Cash generated or used in operating activities principally reflects the gain or loss from operations and the related changes in working capital components.

The Company had no investing activities in the nine months ended September 30, 2002. In the nine months ended September 30, 2001 the Company recorded the disposition of fixed assets of \$699, the purchase of assets of \$1,677, the sale of certain marketable securities for \$366,458 and the purchase of other securities for \$136,500.

The Company had no financing activities for the nine months ended September 30, 2002 and the nine months ended September 30, 2001.

## **Factors That May Affect Future Results**

This report, including Management's Discussion and Analysis or Plan of Operation, contains forward-looking statements and other prospective information relating to future events. These forward-looking statements and other information are subject to certain risks and uncertainties that could cause results to differ materially from historical or anticipated results, including the following:

**We have received a Going Concern opinion from our auditors on our financial statements for the years ended December 31, 2001 and December 31, 2000. Those statements indicate that we have reported losses for our last two years and if we do not become profitable our business could be adversely affected.**

We reported losses of \$2,613,101 and \$1,306,954 for the years ending December 31, 2000 and 2001. We also have an accumulated deficit of \$ 6,365,670 and stockholders' equity of \$50,590 as of December 31, 2001. We can provide no assurance that we will be profitable in the future and if we do not become profitable our business could be adversely affected.

**We were delisted by the NASDAQ Stock Market on October 9, 2001 and our stock has been trading on the OTC Bulletin Board Market (OTCBB) since that time.**

The NASDAQ National/Small Cap Market delisted our stock at the opening of business on October 9, 2001. The securities were removed from NASDAQ and subsequent to that date the PASW Common Stock (PASW) and Warrants (PASWW) have been trading on the OTC Bulletin Board Market (OTCBB). While we still have market makers for our securities there can be no assurance that we can continue to rely on our current market makers and that the price and trading volume of our securities could not be materially affected.

**We have limited resources available to continue operations unless a successful transaction is completed with a**

**merger partner or that additional funding can be obtained from outside sources.**

At the present time we have limited resources available to continue operations other than maintaining day-to-day activities without any capabilities for expansion. The revenue received from our NRCJ subsidiary is sufficient to handle only maintenance administrative operations for the Company. While efforts are in process to seek a merger partner or other means of financing there is no assurance that any means can be obtained to permit the Company to resume any form of operations which could expand the business.

- 14 -

**Because our operating subsidiary depends on a small number of large orders, the loss or deferral of orders may have a negative impact on revenue.**

NRCJ is our only operating subsidiary and as such provides the majority of the funds required to operate the Company. Although none of its customers has accounted for 10% or more of total revenue in any fiscal year, a significant portion of software license revenue in each quarter is derived from a small number of relatively large orders. While we believe that the loss of any particular customer is not likely to have a material adverse effect on our business, our operating results could be materially adversely affected if our operating subsidiaries were unable to complete one or more substantial license sales in any future period.

**Any decrease in the market acceptance of our operating subsidiary's Internet and web products or lack of acceptance of new products would decrease our revenue.**

Our future results depend heavily on continued market acceptance of our operating subsidiary's products in existing and new markets. Our NRCJ subsidiary is a distributor for products supplied by Net Silicon, Inc. Revenue from licenses of the suite of Internet and Web products and sales of services accounted for substantially all of its revenue in the years ended December 31, 2000 and 2001. In July 2002 Net Silicon ceased producing products used by NRCJ. There is no assurance that NRCJ will be able to obtain products from other distributors to replace the revenue generated through the sales of Net Silicon products or that our subsidiary will have sufficient funds to properly advertise and market new product lines as an independent distributor. Any of these factors could have a material effect on our continued operations and financial results.

**Because our ownership is concentrated, our officers and directors and independently our majority stockholder will be able to control all matters requiring stockholder approval including delaying or preventing a change in our corporate control or taking other actions of which individual shareholders may disapprove.**

Our officers, directors and independently the majority stockholder beneficially own approximately 60% of our outstanding common stock. These parties will be able to exercise control over all matters requiring stockholder approval and other investors will have minimal influence over the election of directors or other stockholder actions. As a result, our officers, directors and independently the majority stockholder could approve or cause the Company to take actions of which you disapprove or that are contrary to your interests.

**Issuance of our authorized preferred stock could discourage a change in control, could reduce the market price of our common stock and could result in the holders of preferred stock being granted voting rights that are superior to those of the holders of common stock.**

The Company is authorized to issue preferred stock without obtaining the consent or approval of stockholders. The issuance of preferred stock could have the effect of delaying, deferring, or preventing a change in control. Management also has the right to grant superior voting rights to the holders of preferred stock. Any issuance of preferred stock could materially and adversely affect the market price of the common stock and the voting rights of the holders of common stock. The issuance of preferred stock may also result in the loss of the voting control of holders of common stock to the holders of preferred stock.

**You may experience dilution if we are compelled to litigate or arbitrate claims that have been asserted by Golenberg & Co. for the right to purchase 10% of the Company.**

In April 1999 we were notified that a merchant banker, Golenberg & Co., has asserted rights under a September 1998

letter agreement to purchase 10% of our then outstanding common stock for \$400,000. In September 1999 counsel for Golenberg & Co. reiterated this demand and advised us that these claims were being evaluated for possible legal action. Investors could be significantly diluted if Golenberg & Co. successfully brings a lawsuit against us.

- 15 -

**Trading in our common stock and warrants may be limited and could negatively affect the ability to sell your securities.**

A public market for our common stock and our warrants has only existed since July 29, 1999, the date of our initial public offering. We do not know how liquid the market for our stock and warrants will remain and if the market becomes illiquid, it may negatively affect your ability to resell your securities.

-

- 16 -

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

In April 1999 the Company was notified that a merchant banker, Golenberg & Co., had asserted rights under a September 1998 letter agreement to purchase 10% of the then outstanding common stock of the Company for \$400,000. In September 1999 counsel for Golenberg & Co. reiterated this demand and advised the Company that these claims were being evaluated for possible legal action. To date no action has been taken by Golenberg & Co.

The Company is not currently involved in any litigation that is expected to have a material adverse effect on the Company's business or financial position. There can be no assurance, however, that third parties will not assert infringement or other claims against the Company in the future which, regardless of the outcome, could have an adverse impact on the Company as a result of defense costs, diversion of management resources and other factors.

### **ITEM 2. CHANGES IN SECURITIES.**

**Not Applicable.**

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

**Not Applicable.**

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

**Not Applicable**

### **ITEM 5. OTHER INFORMATION.**

**Not Applicable.**

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.**

**Exhibits**

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

- 17 -

**SIGNATURES**

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

**Date: November 1, 2002**

**PASW, INC.**

**/s/ WILLIAM E. SLINEY**

**William E. Sliney**

**President and Chief Financial Officer**

**(Duly Authorized Officer and Principal**

**Financial and Accounting Officer)**

- 18 -

**PASW, INC.**

**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 PASW, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William E. Sliney, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

**/s/ William E. Sliney**

**William E. Sliney**

**President and Chief Financial Officer**

**November 1, 2002**