

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, 2003

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 24, 2003.

PASW, INC.

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PART I – FINANCIAL INFORMATION

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PASW, INC.

CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
	2003	2002
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 137,553	\$ 98,901
Accounts receivable, net of allowance of \$0 and \$0	<u>27,165</u>	<u>32,842</u>
Total current assets	164,718	131,743
Property and equipment less accumulated depreciation and amortization of \$0 and \$17,985		4,242
Other assets	<u>0</u>	<u>6,116</u>
Total assets	<u>\$ 164,718</u>	<u>\$ 142,101</u>

See accompanying notes to condensed financial statements.

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PASW, INC.

CONSOLIDATED BALANCE SHEETS

December 31,

	September 30, 2003	2002
LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited)	
Current liabilities:		
Accounts payable and accrued expenses	\$ 81,619	\$ 108,859
Advances payable – related party	<u>32,075</u>	<u>32,075</u>
Total current liabilities	<u>113,694</u>	<u>140,934</u>
Commitments and contingencies		
Stockholders' equity:		
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	(6,352,781)	(6,402,763)
Cumulative adjustment for currency translation	<u>53</u>	<u>178</u>
Total stockholders' equity	<u>51,024</u>	<u>1,167</u>
	<u>\$ 164,718</u>	<u>\$ 142,101</u>

See accompanying notes to condensed financial statements.

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PASW, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended	
	September 30, 2003	September 30, 2002
	(Unaudited)	<u>Restated</u>
Revenue		
Product sales	\$ 0	\$ 0
Royalties and other	<u>53,919</u>	<u>20,576</u>
	53,919	20,576
Cost of revenue		
Purchases and royalty fees	<u>0</u>	<u>0</u>
Gross profit	<u>53,919</u>	<u>20,576</u>
Expenses:		
Selling, general and administrative	22,561	8,995
Depreciation and amortization	<u>0</u>	<u>1,600</u>
	22,561	10,595

Total operating expenses		
Gain (loss) from continuing operations before income taxes	<u>31,358</u>	<u>9,981</u>
Other income:	-	
Gain on sale of fixed assets – net of depreciation	<u>0</u>	<u>0</u>
Gain (loss) from continuing operations	<u>31,358</u>	<u>9,981</u>
Gain (loss) from discontinued operations	<u>0</u>	<u>(8,475)</u>
Income taxes	<u>0</u>	<u>0</u>
Net income (loss)	<u>\$ 31,358</u>	<u>\$ 1,506</u>
Net income (loss) per common share:		
Basic and diluted	\$ 0.00	\$ 0.00
Weighted average common stock shares outstanding Basic and diluted	<u>4,997,400</u>	<u>4,997,400</u>

See accompanying notes to condensed financial statements.

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PASW, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended	
	September 30, 2003	September 30, 2002
	(Unaudited)	<u>Restated</u>
Net income (loss)	\$ 31,358	\$ 1,506
Other comprehensive income (loss):		
Foreign currency translation adjustment	<u>7,287</u>	<u>(2,531)</u>
Comprehensive income gain (loss)	<u>\$ 38,645</u>	<u>\$ (1,025)</u>

See accompanying notes to condensed financial statements.

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PASW, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended	
	September 30,	September 30,

	2003	2002
	(Unaudited)	<u>Restated</u>
Revenue		
Product sales	\$ 0	\$ 0
Royalties and other	<u>151,477</u>	<u>97,044</u>
	151,477	97,044
Cost of revenue		
Purchases and royalty fees	<u>0</u>	<u>0</u>
Gross profit	<u>151,477</u>	<u>97,044</u>
Expenses:		
Selling, general and administrative	102,986	70,896
Depreciation and amortization	<u>0</u>	<u>3,200</u>
Total operating expenses	<u>102,986</u>	<u>74,096</u>
Gain (loss) from continuing operations before income taxes	<u>48,491</u>	<u>22,948</u>
Other income:		
Gain on sale of fixed assets – net of depreciation	<u>4,652</u>	<u>0</u>
Gain (loss) from continuing operations	<u>53,143</u>	<u>22,948</u>
Gain (loss) from discontinued operations	<u>(3,161)</u>	<u>(44,466)</u>
Income taxes	<u>0</u>	<u>0</u>
Net income (loss)	<u>\$ 49,982</u>	<u>\$ (21,518)</u>
Net income (loss) per common share:		
Basic and diluted	\$ 0.01	\$ (0.00)
Weighted average common stock shares outstanding Basic and diluted	<u>4,997,400</u>	<u>4,997,400</u>

See accompanying notes to condensed financial statements.

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PASW, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended

	September 30, 2003	September 30, 2002
	(Unaudited)	<u>Restated</u>
Net income (loss)	\$ 49,982	\$ (21,518)

Other comprehensive income (loss):

Foreign currency translation adjustment	<u>125</u>	<u>(7,452)</u>
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Comprehensive income gain (loss)	<u>\$ 50,107</u>	<u>\$ (28,970)</u>
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See accompanying notes to condensed financial statements.

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PASW, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Nine Months Ended	
	September 30,	September
	2003	30,
		2002
	(Unaudited)	Restated
Cash flows from operating activities:		
Continuing operations		
Net income (loss)	\$ 49,982	\$ 22,948
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	0	(3,200)
(Increase) decrease in assets:		
Accounts receivable	5,677	43,855
Prepaid expenses	6,116	0
Sale of fixed assets – net of depreciation of \$449	3,992	0
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(27,240)	(43,207)
	38,527	20,396
Gain (loss) from discontinued operations	<u>0</u>	<u>(44,466)</u>
Net cash used in operating activities	<u>38,527</u>	<u>(24,070)</u>
Cash flows from investing activities:		
Net cash from (used) in investing activities	0	0
Cash flows from financing activities		
Net cash provided by financing activities	0	0

Effect of exchange rate changes on cash	<u>125</u>	<u>1,664</u>
Net increase (decrease) in cash	38,652	(22,406)
Cash – Beginning	<u>98,901</u>	<u>152,148</u>
Cash – Ending	<u>\$ 137,553</u>	<u>\$ 129,742</u>

Supplemental non-cash financing activities: None

See accompanying notes to condensed financial statements.

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PASW, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) 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, 2003, the results of operations for the three months and nine months ended September 30, 2003 and September 30, 2002, and the cash flows for the nine months ended September 30, 2003 and September 30, 2002 are included. Operating results for the three-month and nine month periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

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, 2002 which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the "SEC") on March 31, 2003, and the Company's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on July 29, 1999 (File 333-75137).

(2) 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 reflect 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.

COMPUTATION OF WEIGHTED AVERAGE

COMMON SHARES OUTSTANDING

	Total Number of Shares	Three Months <u>Ended</u> September 30, 2003	Nine Months <u>Ended</u> September 30, 2003
Outstanding shares as of January 1, 2003	4,997,400	4,997,400	4,997,400
Options treated as Common Stock	<u>1,142,674</u>	<u>1,142,674</u>	<u>1,142,674</u>

Total weighted average shares outstanding	<u>6,140,074</u>	<u>6,140,074</u>	<u>6,140,074</u>
Net income		<u>\$ 31,358</u>	<u>\$ 49,982</u>
Net gain (loss) per common share basic and diluted		<u>\$ 0.00</u>	<u>\$ 0.00</u>

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(3) Sale of Network Research Corporation – Japan Distribution Business ("NRCJ")

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 the major portion of its revenue in the year ended December 31, 2002. In July 2002 Net Silicon, Inc. ceased producing products used by NRCJ. During the remainder of 2002 the sales of licenses of the subsidiary decreased to a point where operations became unprofitable. On January 31, 2003 the Company sold the operating assets and certain liabilities of the NRCJ distribution business to Network Technology, Inc., a new company formed by the former employees of NRCJ, for 1.0 million Japanese Yen (US \$8,400). NRCJ will continue to receive royalty income from former NRCJ customers. The Company is accounting for this transaction as a discontinued operation in 2003.

(4) Change of Accountants

The Company has used the services of Merdinger, Fruchter, Rosen & Co. ("MFRC") as its independent accountant since 1996. In January 2003 the Company was informed by MRFC that it was exiting the business of auditing publicly traded companies. The Company has selected Skeeahan and Company as its new auditor effective February 27, 2003. The Company's Board of Directors recommended and approved the change in the Company's certifying accountants.

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 31, 2003. 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.

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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, until January 2003, a sales office in Japan. Since January 2003 the Company has maintained an administrative function in Japan.

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

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	
	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		<u>Restated</u>	<u>Restated</u>	
		-		
Net revenue	100.00%	100.00%	100.00%	100.00%
Cost of revenue	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Gross profit	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Selling, general and administrative				
	41.84	43.72	67.99	73.05
Research and development	0.00	0.00	0.00	0.00
Depreciation and				
Amortization	<u>0.00</u>	<u>7.77</u>	<u>0.00</u>	<u>3.30</u>
Total expenses	<u>41.84</u>	<u>51.49</u>	<u>67.99</u>	<u>76.35</u>
Other income:				
Gain in sale of fixed assets	<u>0.00</u>	<u>0.00</u>	<u>3.07</u>	<u>0.00</u>
Net gain (loss) from continuing				
Operations	58.16	48.51	35.08	23.65
Gain (loss) from discontinued				
Operations	<u>0.00</u>	<u>(41.19)</u>	<u>(2.08)</u>	<u>(45.82)</u>
Net income (loss)	<u>58.16%</u>	<u>7.32%</u>	<u>33.00%</u>	<u>(22.17)%</u>

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

	Unaudited			
	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</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, 2003 and 2002.

Net revenue from continuing operations

For the three months ended September 30, 2003 royalty revenues increased 162% to \$53,919 from \$20,576 for the three months ended September 30, 2002. Revenue for the three months ended September 30, 2003 consists exclusively of royalty revenue since the distribution portion of the business was sold in January 2003.

Cost of revenue

There is no cost associated with receipt of the royalty revenue in either the three months ended September 30, 2003 or the three months ended September 30, 2002.

Selling, general and administrative

Selling, general and administrative expense was \$22,561 for the three months ended September 30, 2003 compared to \$8,995 for the three months ended September 30, 2002. The amounts in both periods reflect the continuing expenses of a corporate office, which is associated with seeking a reverse merger or other financial transaction for the Company and expenses for legal and accounting fees in processing the royalty receipts in Japan.

Depreciation and amortization

Depreciation and amortization was \$0 in the three months ended September 30, 2003 and \$1,600 for the three months ended September 30, 2002 principally related to fixed assets in our Japanese office which was sold in January 2003.

Other income and expenses

The Company had no other income or expense items in either the three months ended September 30, 2003 or the three months ended September 30, 2002.

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Provision for taxes

Commencing in 1995 the Company elected to be treated as a subchapter S corporation. Through 1998 all federal tax liabilities were recognized at the individual stockholder level. In February 1999 the Company terminated the S election and became subject to taxation at the corporate level. Had the Company been subject to taxation as a C corporation in 1998, it would have received a pro forma tax benefit of \$1,099. For the three months ended September 30, 2003 the Company had no income tax liability.

Nine months ended September 30, 2003 and 2002.

Net revenue from continuing operations

For the nine months ended September 30, 2003 royalty revenues increased 56% to \$151,477 from \$97,044 for the nine months ended September 30, 2002. Revenue for the nine months ended September 30, 2003 consists exclusively of royalty revenue since the distribution portion of the business was sold in January 2003 and is being classified as a discontinued operation.

Cost of revenue

There is no cost associated with receipt of the royalty revenue in either the nine months ended September 30, 2003 or the nine months ended September 30, 2002.

Selling, general and administrative

Selling, general and administrative expense was \$102,915 for the nine months ended September 30, 2003 compared to \$70,896 for the nine months ended September 30, 2002. The amounts in both periods reflect the continuing expenses of a corporate office, which is associated with seeking a reverse merger or other financial transaction for the Company and expenses for legal and accounting fees in processing the royalty receipts in Japan.

Depreciation and amortization

Depreciation and amortization was \$0 in the nine months ended September 30, 2003 and \$3,200 for the nine months ended June 30, 2002 principally related to fixed assets in our Japanese office which was sold in January 2003.

Other income and expenses

During the nine months ended September 30, 2003 the Company had \$4,627 in other income, net of depreciation of \$449, representing the gain on sale of assets in the closing of the Japanese office. The Company had no activity in the nine months ended

September 30, 2002.

Provision for taxes

Commencing in 1995 the Company elected to be treated as a subchapter S corporation. Through 1998 all federal tax liabilities were recognized at the individual stockholder level. In February 1999 the Company terminated the S election and became subject to taxation at the corporate level. Had the Company been subject to taxation as a C corporation in 1998, it would have received a pro forma tax benefit of \$1,099. For the nine months ended September 30, 2003 the Company had no income tax liability.

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Liquidity and capital resources

At September 30, 2003 and December 31, 2002 the Company had working capital of \$51,024 and \$(9,191) and cash and cash equivalents of \$137,553 and \$98,901.

The Company generated \$38,527 in cash flow from operating activities in the nine months ended September 30, 2003 compared to \$(24,070) in the nine months ended September 30, 2002. The principal reasons for the decrease in use of cash of \$62,597 was the result of an decrease of \$38,178 in accounts receivable, a write off of fixed assets of \$3,992, a recovery of a security deposit of 6,116, a decrease of \$15,967 in accounts payable and a decrease of \$44,466 primarily associated with the operation of the Japanese distribution activities which was sold in January 2003 and is classified as a discontinued operation. Cash generated or used in operating activities principally reflects the gain or loss from operations and the related changes in working capital components.

There were no investing or financing activities in either the nine months ended September 30, 2003. or the nine months ended September 30, 2002.

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 received a Going Concern opinion from our auditors on our financial statements for the years ended December 31, 2002 and December 31, 2001. 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 \$1,306,954 and \$37,093 for 2001 and 2002. We also have an accumulated deficit of \$6,402,763 and a stockholders' equity of \$1,167 as of December 31, 2002. We can provide no assurance 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 traded on the OTC Bulletin Board Market (OTCBB) as were the Warrants (PASWW) until their expiration on November 30, 2002. While we still have market makers for our securities there can be no assurance 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.

Our only operating subsidiary lost its major supplier of product in July 2002.

Our NRCJ subsidiary is a distributor for products supplied by NetSilicon, 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, 2002 and 2001. In July 2002 Net Silicon, Inc. ceased producing products used by NRCJ. During the remainder of 2002 the sales of licenses of the subsidiary decreased to a point where operations became unprofitable. The operations were sold in January 2003. There is no assurance that the remaining royalty income is sufficient to allow the Company to continue operations.

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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 royalties of 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.

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.

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

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

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ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this report, PASW carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in its periodic Securities and Exchange Commission ("SEC") filings is recorded, processed and reported within the time periods specified in the SEC's rules and forms. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 –

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

Reports on Form 8-K - None

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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: October 31, 2003

PASW, INC.

/s/ WILLIAM E. SLINEY

William E. Sliney

President and Chief Financial Officer

(Duly Authorized Officer and Principal

Financial and Accounting Officer)

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Sarbanes-Oxley Section 302 Certification

I, Glenn P. Russell, certify that:

I have reviewed this quarterly report on Form 10-QSB of PASW, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have: a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this

quarterly report (the "Evaluation Date"); and c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function): a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2003

/s/ Glenn P. Russell

Glenn P. Russell

Chief Executive Officer

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Sarbanes-Oxley Section 302 Certification

I, William E. Sliney, certify that:

I have reviewed this quarterly report on Form 10-QSB of PASW, Inc.;

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have: a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function): a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2003

/s/ William E. Sliney

William E. Sliney

**President and
Chief Financial Officer**

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-QSB for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn P. Russell, Chief Executive Officer of the Company, certify, solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 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 results of operations of the Company.

/s/ Glenn P. Russell

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-QSB for the period ended September 30, 2003 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, solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 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 results of operations of the Company.

/s/ William E. Sliney