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

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

For the quarterly period ended September 30, 2000

OR

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

Commission file number 333-75137

PASW, INC.
Formerly Pacific Softworks, Inc.
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)

77-0390628 (I.R.S. Employer Identification No.)

703 Rancho Conejo Boulevard
Newbury Park, California (Address of principal executive offices)

91320 (Zip Code)

(805) 499-7722
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 X No____

There were 4,517,400 shares outstanding of the registrant's Common Stock, par value $.001 per share, as of November 10, 2000.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PASW, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2000	December 31 1999 (As Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 362,854	$1,661,708
Accounts receivable, net of allowance of $0 and $0	37,505	78,751
Marketable securities	1,884,330	
Note receivable		1,000,000
Prepaid expenses and other current assets		75,753
Net assets of discontinued operations		83,128
Total current assets	2,284,689	2,899,340
Property and equipment less accumulated depreciation and amortization of $22,981 and $35,794	153,196	105,003
Investments	1,000,000	
Other assets	73,965	13,193
Total assets	$3,511,850	$3,017,536

PASW, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2000	December 31, 1999 (As Restated)
LIABILITIES AND STOCKHOLDERS'EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 309,941	$ 390,546
Accrued compensation expense for exercise of warrants	377,500	
Short-term note payable	200,000	
Total current liabilities	887,441	390,546
Deferred revenues		
Commitments and contingencies		
Minority interest in subsidiary	1,600	
Stockholders' equity		
Preferred stock, par value $.01 per share, 10,000,000 shares authorized; no shares outstanding		
Common stock, par value $.001 per share, 50,000,000 shares authorized; 4,517,400 and 4,402,500 shares issued and outstanding	4,518	4,403
Additional paid in capital	6,010,159	5,042,624
Retained earnings (deficit)	(2,901,691)	(2,445,615)
Accumulated other comprehensive income	(490,177)	25,578
Total stockholders' equity	2,622,809	2,626,990
	$3,511,850	$3,017,536

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999 (As restated)	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999 (As Restated)
Net revenue				
Sales	$ 205,482	$ 118,360	$ 206,016	$ 427,903
Royalties and others	187,129	33,435	384,560	130,883
Total	392,611	151,795	590,576	558,786
Cost of revenue				
Purchases and royalty fees	9,253	27,259	47,163	49,847
Gross profit	383,358	124,536	543,413	508,939
Expenses				
Selling, general and administrative	431,083	221,334	1,607,538	381,103
Research and development	192,424	109,817	574,011	310,560
Depreciation and amortization	19,008	3,461	22,981	10,381
Former officers consulting and administrative expense		71,500		252,085
Total	642,515	406,112	2,204,530	954,129
Net loss from: Continuing operations	(259,157)	(281,576)	(1,661,117)	(445,190)
Discontinued operations:				
Loss from operations	(897,104)	(590,829)	(1,343,395)	(741,328)
Gain on sale of assets	2,548,436		2,548,436	
Gain (loss) from discontinued operations	1,651,332	(590,829)	1,205,041	(741,328)
Net gain (loss)	$ (1,392,175)	$(872,405)	$(456,076)	$(1,186,518)
Net loss per common share Basic and diluted:				
Continuing operations	$ (0.06)	$ (0.08)	$ (0.36)	$ (0.13)
Discontinued operations	$ 0.36	$ (0.17)	$ 0.26	$ (0.22)
Net loss	$ 0.30	$ (0.25)	$ (0.10)	$ (0.35)
Weighted average common stock shares outstanding Basic and diluted	4,640,900	3,440,000	4,617,900	3,409,613

See accompanying notes to condensed consolidated financial statements.

PASW, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999 (As restated)	2000	1999 (As Restated)
Net gain (loss)	$1,392,175)	$(872,405)	$(456,076)	(1,186,518)
Other comprehensive income (loss)				
Net unrealized (loss) arising during the period	(704,139)		(704,139)	
Foreign currency translation adjustment	109,454	(44,000)	213,962	48,866
Comprehensive gain (loss)	$ 797,490	$(916,405)	$(946,253)	(1,137,652)

See accompanying notes to condensed consolidated financial statements.

PASW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2000	1999 (As restated)
Cash flows from operating activities		
Net loss from continuing operations	$(1,661,117)	$(445,190)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,981	10,382
(Increase) decrease in assets:		
Accounts receivable	41,246	30,091
Related party receivable		43,000
Prepaid expenses	75,753	(26,601)
Other assets	(60,772)	
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(80,605)	15,266
Related party payable		(103,705)
Accrued taxes payable		(20,323)
Customer deposits		(23,100)
Accrued compensation expense	377,500	
Deferred revenue		44,000
	(1,285,014)	(476,180)
Net effect of discontinued operations	(1,300,300)	(861,200)
Net cash used in operating activities	(2,585,314)	(1,337,380)
Cash flows from investing activities		
Acquisition of fixed assets	(71,174)	(153,761)
Disposition of assets, net		13,461
Net cash used in investing activities	(71,174)	(140,300)
Cash flows from financing activities:		
Proceeds from initial public offering		4,651,131
Exercise of warrants	569,250	
Private placement of preferred stock in subsidiary	400,000	
Proceeds from borrowings	200,000	459,295
Repayment of borrowings		(563,000)
Private placement of common stock		500,000
Net cash provided by financing activities	1,169,250	5,047,426
Effect of exchange rate changes on cash	188,384	45,624
Net increase (decrease)in cash	(1,298,854)	3,615,370
Cash - Beginning	1,661,708	224,031
Cash - Ending	$ 362,854	$3,839,401

Supplemental disclosure of cash flow information:

Cash paid during the period for Interest:

Continuing operations	$9,814
Discontinued operations	$0

Income taxes:

Continuing operations	$0
Discontinued operations	$0

During the period ended September 30, 1999 Warrants valued at $200,000 were issued in connection with the public offering.

During the period ended September 30, 2000 The Company sold certain assets to a listed company for 90,000 shares of common stock valued at $1,884,330 at September 30, 2000.

The market value of the stock at September 30,2000 was $1,884,330 resulting in an unrealized loss of $704,139.

See accompanying notes to condensed consolidated financial statements.

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, 2000, the results of operations for the three and nine months ended September 30, 2000 and September 30, 1999, and the cash flows for the nine months ended September 30, 2000 and September 30, 1999 are included. Operating results for the three and nine month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

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, 1999 which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the "SEC") on March 29, 2000 and the unaudited financial statements as of March 31, 1999 filed as a part of 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 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.

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 positioning of the Company's products in the Company's market segments; the Company's ability to effectively manage its various businesses in a rapidly changing environment; the timing of new product introductions; sell-through of the Company's products; the continued emergence of the internet resulting in new competition and changing customer demands; the Company's ability to adapt and expand its product offerings in light of changes to and developments in the internet environment; growth rates of the Company's market segments; variations in the cost of, and demand for, customer service and technical support; price pressures and competitive environment; the possibility of programming errors or other "bugs' in the Company's software; the timing and customer acceptance of new product releases and services (including current users' willingness to upgrade from older versions of the Company's products); 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 29, 2000 and the risks discussed in the Company's other filings with the SEC. 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. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

General

The Company completed an initial public offering of 950,000 units consisting of one share of common stock and one warrant on July 29, 1999. An additional 142,500 units representing the underwriter's overallotment was sold on September 13, 1999. The Company develops and licenses software which enables internet and web based communications. The software products are embedded into systems and "information appliances" developed or manufactured by others. Information appliances are internet-connected versions of every day products such as telephones, fax machines, personal digital assistants and other digitally based devices. The Company has developed a new proprietary internet browser for use within independent, "non Windowsr" information appliancs. The browser may be effectively placed in use without an operating system and does not require substantial amounts of memory. The Company began marketing the initial version of this browser during the first quarter of 2000.

The Company refined its strategic focus in the Fourth Quarter of 1999 in order to enhance its positioning and flexibility in the rapidly growing market for Internetworking technology and to improve the utilization of its assets and competencies. Key elements of the business strategy involve the segregation of the Company's core technology into separate business units and identifying strategic investment opportunities and/or associations with other operating companies. In conjunction with this strategy at the annual meeting on May 26, 2000 the Company changed its name to PASW, Inc.

Establishing separate business units for the core technology will facilitate the ability to develop and commercialize the underlying technology and will also allow for either private or public investment, joint ventures or mergers that are beneficial to such development and commercialization. Accordingly, the Company transferred the operating assets and technology that represented the historical business of the Company into two wholly owned subsidiaries. The technology and personnel responsible for the Internet and Web related software and software development tools now operate as Pacific Softworks. The technology and personnel responsible for the embedded Web browser and server now operate as PSI Web Technologies, Inc. During 1999 the Company also established Alera Systems, Inc., formerly iApplianceNet.com, a development stage company and a wholly owned subsidiary, to provide Internet-active merchandise and service store displays and the infrastructure that supports them.

The Company also commenced a program of identifying strategic investment opportunities and/or associations with operating companies that are compatible and complementary to the plan of operations. In accordance with this program, the Company made an investment in Combio, formerly FSPNetwork, Inc. ("Combio") in the fourth quarter of 1999 and signed a letter of intent to invest in RedFlag, Inc. ("RedFlag") in early 2000. The goal of this strategy is to both increase shareholder value and to create an operating group of companies that have mutually beneficial technology and businesses. Future investments and/or associations, if any, will focus on companies that:

- - have a strong Internet/Web presence that are synergistic with the Company's core businesses and that can utilize the Company's Internet and web technology in the implementation of their internet strategies;
- - have a strong Internet/Web presence that are synergistic with the businesses of companies in which the Company has an investment/and or affiliation ("PSI network companies") and that can utilize the technology of the PSI network companies in the implementation of their internet strategies;
- - present cross licensing opportunities for the Company's technology;
- - are past the start-up phase of operations, have revenues and earnings and are near term candidates for an initial public offering; and
- - can benefit from the Company's financial and operational resources in securing both private and public investment capital.

Combio.

On October 25, 1999 the Company and Combio, formerly FSPNetwork, Inc. ("Combio") signed a Letter of Intent to enter into discussions with the purpose of entering a strategic relationship to jointly develop certain internet applications with financial institutions. The Company indicated that subject to entering into a definitive agreement it would invest up to $1,000,000 in Combio and under certain conditions up to an additional $2,000,000. On October 25, 1999 the Company loaned Combio $250,000 through a promissory note bearing interest at ten (10%) percent due in ninety days. The loan was for general corporate purposes. On December 3, 1999 the Company loaned Combio an additional $750,000 and converted the $250,000 note evidenced by a $1,000,000 convertible promissory note. On April 28, 2000 the note was converted into 713,129 shares of Series A Preferred Stock of Combio. The stock is equal to 5% of the outstanding capital stock of Combio concurrent with Combio's closing of an equity financing on the same time.

Alera Systems, Inc.
In March 2000, the Company's wholly owned subsidiary Alera Systems, Inc., formerly iApplianceNet ("Alera"), completed a private placement of 140,000 shares of Series A redeemable convertible preferred stock for net proceeds of $350,000. On August 17, 2000 an additional 20,000 shares were issued for net proceeds of $50,000. The preferred shares carry a 5% dividend payable semi-annually in common shares of iApplianceNet valued at $2.50 per share.

Each share of preferred stock shall be convertible, at the option of the holder, into one fully paid and nonassessable share of Common Stock, subject to adjustment for stock splits and stock dividends. Each share of preferred stock will automatically convert into shares of Common Stock at the time of the earlier of (i) the closing of a firm commitment underwritten public offering of not less than $5,000,000, or (ii) the date specified by written consent or agreement of the holders of 60% percent of the outstanding shares of such series.

In the event that Alera has not been sold or closed a firm commitment underwritten public offering of not less than $5,000,000 within two years following the closing of the private placement, the preferred stock holders will have the option of converting their shares into common stock of PASW, Inc., the majority shareholder of Alera. The preferred shares will receive shares of PASW common stock based on the ratio of the cost of the preferred shares over 85% of the average per share closing price for PASW for 15 consecutive days. The value of the PASW shares used in the conversion calculation is limited to a range of $1.00 to $15.00.

Sale and Relicensing of Assets.
On August 31, 2000 the Company and NETsilicon, Inc. ("NSIL") entered into an agreement whereby the Company sold the assets of its PSI Softworks Technology subsidiary ("PSI") to NSIL. The assets primarily consist of PSI's Internet and Web software. The purchase price for the assets was 90,000 shares of NSIL's common stock. In addition NSIL has agreed to grant a non-exclusive, royalty-free license for the acquired technology, to PASW and its affiliates, subject to certain limitations. NSIL is expected to retain substantially all of PSI's personnel as part of a newly formed operating group. The sale is being accounted for as discontinued operations for financial reporting purposes.

Management Changes
On October 5, 2000 the Board of Directors of the Company accepted the resignation of Glenn P. Russell as Chairman and a Director of the Company. Mr. Russell resigned due to the workload of outside business activities which had become a significant impact on the time available for his operations within the Company. The board regretfully accepted his resignation and appointed William E. Sliney as the new Chairman and a Director effective on that date.

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

Results of Operations from Continuing Operations
Three months ended September 30, 2000 and 1999.

Net revenue

For the three months ended September 30, 2000 revenues from continuing operations increased 258% to $392,611 from $151,795 for the three months ended September 30, 1999. Sales of licenses increased $87,122, an increase of 74% for the three months ended September 30, 2000 due to higher sales in North America. Royalty revenue increased for the three months ended September 30, 2000 to $187,129 from $33,435 for the three months ended September 30, 1999 principally due to higher revenue in Japan.

Cost of revenue

The cost of revenue for the three months ended September 30, 2000 was $9,253 or 2.4% of sales compared to $27,259 or 18% of sales for the three months ended September 30, 1999. The decrease in cost of sales related to lower direct and indirect costs for production and duplication of manuals and media for software products charged against sales for the three months ended September 30, 2000 as the Company transitioned out of production of software products.

Selling, general and administrative

Selling, general and administrative expense increased $209,749 to $431,083 for the three months ended September 30, 2000 from $221,334 for the three months ended September 30, 1999. This increase is the result of and an increase in administrative costs for expenses associated with the Company becoming a public company after the receipt of funds from the Company's initial public offering in July, 1999 and expenses associated with the continuing development of it's Alera subsidiary. Because of the increase in net revenues the cost of these expenses as a percentage of revenue increased to 110% of net revenue for the three months ended September 30, 2000 from 146% for the three months ended September 30, 1999.

Research and development expense

Research and development expense increased to $192,424 or 75% for the three months ended September 30, 2000 from $109,817 or of revenue for the three months ended September 30, 1999. The increase is principally attributable to a continuation of development of the Company's Alera subsidiary.

Depreciation and amortization

Depreciation and amortization increased to $19,008 in the three months ended September 30, 2000 from $3,461 for the three months ended September 30, 1999. This increase was attributable to an increase of capital additions for the Alera subsidiary for three months ended September 30, 2000 over capital additions in the three months ended September 30, 1999.

Former officer's consulting and administrative expense

The former officer's consulting and administrative expense decreased to zero for the three months ended September 30, 2000 from $71,500 for the three months ended September 30, 1999. This agreement plus an agreement not to compete and a consulting agreement with the former officer expired in September 1999.

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. For the three months ended September 30, 2000 the Company had no income tax liability.

Nine months ended September 30, 2000 and 1999.

Net revenue

For the nine months ended September 30, 2000 revenues from continuing operations increased 6% to $590,576 from $558,786 for the nine months ended September 30, 1999. Sales of licenses decreased 51% for the nine months ended September 30, 2000 due to lower sales in the United Kingdom. Royalty revenue increased by 193% for the nine months ended September 30, 2000 to $384,560 from $130,883 for the nine months ended September 30, 1999 principally due to higher royalty revenue in Japan.

Cost of revenue

The cost of revenue for the nine months ended September 30, 2000 was $47,163 or 8% of sales compared to $49,847 or 9% of sales for the nine months ended September 30, 1999. The decrease in cost of sales related to lower direct and indirect costs for production and duplication of manuals and media for software products charged against sales for the nine months ended September 30, 2000 as the Company curtailed production of software products.

Selling, general and administrative

Selling, general and administrative expense increased to $1,607,538 for the nine months ended September 30, 2000 from $381,103 for the nine months ended September 30, 1999. This increase is the result of increases in the sales and marketing staffs which were expanded after the receipt of funds from the Company's initial public offering in July, 1999, an increase in administrative costs for expenses associated with the Company becoming a public company and the continued funding of expense associated with the Company's Alera subsidiary. The cost of these expenses as a percentage of revenue increased to 272% of net revenue for the nine months ended September 30, 2000 from 68% for the nine months ended September 30, 1999.

Research and development expense

Research and development expense increased to $574,011 or 97% of revenue for the nine months ended September 30, 2000 from $310,560 or 56% of revenue for the nine months ended September 30, 1999. The increase is principally attributable to a continuation of expenses associated with the initial operation of the Company's Alera subsidiary.

Depreciation and amortization

Depreciation and amortization increased to $22,981 in the nine months ended September 30, 2000 from $10,381 for the nine months ended September 30, 1999. This increase was attributable to expenditures of $71,174 in capital additions for the nine months ended September 30, 2000 used for continued development of the Alera subsidiary.

Former officer's consulting and administrative expense

The former officer's consulting and administrative expense decreased to zero for the nine months ended September 30, 2000 from $252,085 for the nine months ended September 30, 1999. This agreement plus an agreement not to compete and a consulting agreement with the former officer expired in September 1999.

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. For the nine months ended September 30, 2000 the Company had no income tax liability.

Liquidity and capital resources

At September 30, 2000 and December 31, 1999 the Company had working capital of $1,397,248 and $2,508,794 and cash and cash equivalents of $362,854 and $1,661,708.

The Company used $2,585,314 in cash flow from operating activities in the nine months ended September 30, 2000 compared to using $1,337,380 in the nine months ended September 30, 1999. The increase in use of cash of $1,247,934 for operating activities was the result of an increase of $11,155 in accounts receivable, an increase of $102,354 in prepaid expenses, a decrease in other receivables of $43,000, an increase in other assets of $60,772, a decrease in accounts payable and other accrued expenses of $95,871, a decrease of $147,128 in other liabilities, an increase of $377,500 in accrued compensation expense, an increase of $203,000 in the effect of discontinued operations and a decrease of $44,000 in deferred revenue.

Investing activities in the nine months ended September 30, 2000 consisted of purchase of fixed assets of $71,174 compared to the purchase of assets, net of dispositions, of $140,300 in the nine months ended September 30, 1999.

The Company provided $1,169,250 from financing activities in the nine months ended September 30, 2000 through the exercise of warrants of $569,250 in the Company and the investment of $400,000 through the private placement of preferred stock and borrowing through a revolving note of $200,000 in the Company's Alera subsidiary. Financing activities for the nine months ended September 30, 1999 consisted of $4,651,131 from the net proceeds of the Company's initial public offering, $500,000 from a private placement of common stock, borrowings $459,131 and repayments of borrowings of $563,000.

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 June 1998 letter agreement to purchase 10% of the then outstanding common stock of the Company for $400,000. In June 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.

ITEM 5. OTHER INFORMATION.

Not Applicable.

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

(a) The following exhibits are included herewith:

Exhibit 11 - Weighted Average of Common Stock Shares Outstanding
Exhibit 27 - Financial Data Schedule

(b) The Company filed a report on Form 8-K during the quarter for which this form is filed detailing the terms of the transaction between the Company and Net Silicon, Inc.

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 10, 2000 PASW, INC.

/s/ WILLIAM E. SLINEY

William E. Sliney

Chairman, President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT 11

PASW, INC.

COMPUTATION OF WEIGHTED AVERAGE
COMMON SHARES OUTSTANDING

	Total Number Of Shares	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2000
Outstanding shares as of January 1, 2000	4,402,500	4,402,500	4,402,500

Options treated as

Common Stock			123,500		123,500
Exercise of warrants	114,900	114,900		91,900	
Total weighted average shares outstanding	4,517,400		4,640,900	4,617,900	