POSITRON CORP
Form 10-Q/A
May 20, 2009

FORM 10-Q MARCH 31, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

T QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended MARCH 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file number 000-29449

POSITRON CORPORATION

(Exact Name of Registrant as specified in its charter)

Texas (State or Other Jurisdiction of Incorporation or Organization)	76-0083622 (IRS Employer Identification No.)
7715 Loma Ct., Suite A, Fishers, IN (Address of Principal Executive Offices)	46038 (Zip Code)

Issuer's Telephone Number, Including Area Code: (317) 576-0183

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 Q No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes Q No ¨

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	¨	Accelerated filer ¨
Non-accelerated filer	¨	Smaller reporting company Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No Q

The numbers of shares outstanding of each of the issuer's classes of common equity, as of May 20, 2009, are as follows:

Class of Securities	Shares Outstanding
Common Stock, $0.01 par value	201,890,384

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POSITRON CORPORATION
FOR THE QUARTER ENDED MARCH 31, 2009
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PART 1 – FINANCIAL INFORMATION

ITEM 1. Financial Statements

POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1	$ 7
Accounts receivable	198	230
Inventories	817	755
Due from affiliates	80	40
Prepaid expenses	3	1
Total current assets	1,099	1,033
Property and equipment, net	30	28
Other assets	24	43
Total assets	$ 1,153	$ 1,104
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, trade and accrued liabilities	$ 2,662	$ 2,687
Customer deposits	131	253
Notes payable	540	540
Convertible notes payable, less discount of $324 and $ 608	883	599
Unearned revenue	773	728
Due to related parties	124	133
Derivative liabilities for convertible debentures	2,221	2,314
Total current liabilities	7,334	7,254
Convertible notes payable, less discount of $102 and $105	14	11
Deposits for unissued securities	--	100
Derivative liabilities for convertible debentures, net of current portion	294	289
Total liabilities	7,642	7,654
Stockholders' deficit:		
Series A Preferred Stock: $1.00 par value; 8% cumulative, convertible, redeemable; 5,450,000 shares authorized; 457,599 shares issued and outstanding	457	457
	6,715	6,215

Series B Preferred Stock: convertible, redeemable 9,000,000 shares authorized; 6,765,942 and 6,214,861 shares issued and outstanding				
Series G Preferred Stock: $1.00 par value; 8% cumulative, convertible, redeemable; 3,000,000 shares authorized; 105,391 and 111,391 shares issued and outstanding		23		29
Series S Preferred Stock: $1.00 par value; convertible, redeemable; 100,000 shares authorized; 100,000 shares issued and outstanding		100		100
Common Stock: $0.01 par value; 800,000,000 shares authorized; 179,015,384, and 160,240,384 shares outstanding		1,790		1,602
Additional paid-in capital		70,789		70,686
Other comprehensive loss		(22)		(44)
Accumulated deficit		(86,326)		(85,580)
Treasury Stock: 60,156 common shares at cost		(15)		(15)
Total stockholders' deficit		(6,489)		(6,550)
Total liabilities and stockholders' deficit	$	1,153	$	1,104

See accompanying notes to financial statements

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POSITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues:	$367	$426
Costs of revenues:	239	548
Gross profit (loss)	128	(122)
Operating expenses:		
Research and development	30	285
Selling and marketing	16	38
General and administrative	609	1,041
Total operating expenses	655	1,364
Loss from operations	(527)	(1,486)
Other income (expense)		
Interest expense	(307)	(78)
Derivative gains	88	465
Total other income (expense)	(219)	387
Loss before income taxes	(746)	(1,099)
Income taxes	--	--
Net loss	(746)	(1,099)
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	22	(4)
Comprehensive loss	$(724)	$(1,103)
Basic and diluted loss per common share	$(0.01)	$(0.01)

Weighted average number of basic and diluted common shares outstanding	170,733	106,248

See accompanying notes to financial statements

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POSITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2009	March 31, 2008
Cash flows from operating activities:		
Net loss	$(746)	$(1,099)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3	7
Amortization of loan costs, debt discount and beneficial conversion features	306	95
Stock based compensation	--	1
(Gain) loss on derivative liabilities	(88)	(465)
Common stock issued for services	169	425
Changes in operating assets and liabilities:		
Accounts receivable	28	39
Inventory	(74)	56
Prepaid expenses	(1)	7
Other current assets	--	(8)
Accounts payable and accrued liabilities	7	83
Customer deposits	(119)	81
Unearned revenue	45	36
Net cash used in operating activities	(470)	(742)
Cash flows from investing activities:		
Purchase of property and equipment	(5)	(3)
Net cash used in investing activities	(5)	(3)
Cash flows from financing activities:		
Proceeds from notes payable to related parties	--	410
Proceeds from preferred stock	615	314
Proceeds from common stock	--	50
Deposit for unissued securities	(100)	--
Capital lease payments	--	(18)
Repayments of advances to affiliated entities	(34)	5
Advance to affiliated entities	(16)	(14)
Net cash provided by financing activities	465	747

Effect of exchange rate changes on cash and cash equivalents	4	(10)
Net (decrease) in cash and cash equivalents	(6)	(8)
Cash and cash equivalents, beginning of period	7	192
Cash and cash equivalents, end of period	$1	$184
Supplemental cash flow information:		
Interest paid	$--	$--
Income taxes paid	--	--
Non-cash disclosures		
Convertible debenture discount with corresponding increase to paid in capital for value of warrants	$--	$366
Convertible debenture discount with corresponding increase to derivative liabilities for beneficial conversion feature	$--	$285
Conversion of debentures to common stock	$--	$46
Conversion of accrued interest to convertible notes payable	$--	$116
Conversion of Series A Preferred Stock to common stock	$--	$6
Conversion of Series B Preferred Stock to common stock	$122	$--
Conversion of Series G Preferred Stock to common stock	$6	$--

See accompanying notes to financial statements

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POSITRON CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules of the U.S. Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report on Form 10-K for Positron Corporation (the "Registrant" or the "Company") for the year ended December 31, 2008. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year ended December 31, 2008, as reported in the Form 10-K, have been omitted.

For the three months ended March 31, 2009 and 2008, the financial statements include the transactions of Positron Corporation, and its wholly-owned subsidiaries, Imaging Pet Technologies, Inc. ("IPT") and Positron Pharmaceuticals Company ("Positron Pharma"). All Intercompany transactions and balances have been eliminated.

2. Accounting Policies

For a summary of significant accounting policies (which have not changed from December 31, 2008), see the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Recent Accounting Pronouncements

In March 2008, the FASB issued FASB Statement No. 161 Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ("SFAS No. 161"), which changes the disclosure requirements for derivative instruments and hedging activities. Pursuant to SFAS No. 161, Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. with early application encouraged. SFAS No. 161 encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, this Statement requires comparative disclosures only for periods subsequent to initial adoption. The adoption of SFAS No. 161 did not have a material impact on the financial results of the Company.

In April 2008, the FASB issued FSP No. 142-3, Determination of the Useful Life of Intangible Assets. FSP 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS 142, Goodwill and Other Intangible Assets, and adds certain disclosures for an entity's accounting policy of the treatment of the costs, period of extension, and total costs incurred. FSP 143-3 must be applied prospectively to intangible assets acquired after January 1, 2009. The Company does not expect the adoption of FSP142-3 to have a material impact on the financial results of the Company.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS 162"). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company does not expect SFAS 162 to have a material effect on its financial statements.

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Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

3. Going Concern

Since its inception the Company has been unable to sell POSICAMTM, Pulse systems or systems acquired with the purchase of Dose Shield in quantities sufficient to be operationally profitable. Consequently, the Company has sustained substantial losses. At March 31, 2009, the Company had an accumulated deficit of $86,326,000 and a stockholders' deficit of $6,489,000. Due to the sizable prices of the Company's systems and the limited number of systems sold or placed in service each year, the Company's revenues have fluctuated significantly year to year.

The Company utilized proceeds of $615,000 from issuance of Series B Preferred to fund operating activities during the three months ended March 31, 2009. The Company had cash and cash equivalents of $1,000 at March 31, 2009. At the same date, the Company had accounts payable and accrued liabilities of $2,662,000. In addition, debt service and working capital requirements for the upcoming year may reach beyond our current cash balances. The Company plans to continue to raise funds as required through equity and debt financing to sustain business operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that the Company will be successful in implementing its business plan and ultimately achieving operational profitability. The Company's long-term viability as a going concern is dependent on its ability to 1) achieve adequate profitability and cash flows from operations to sustain its operations, 2) control costs and expand revenues from existing or new business 3) meet current commitments and fund the continuation of its business operation in the near future and 4) raise additional funds through debt and/or equity financings.

4. Inventories

Inventories at March 31, 2009 and December 31, 2008 consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Finished systems	$ 111	$ 111
Raw materials and service parts	591	526
Work in progress	246	156
	948	793
Less: Reserve for obsolete inventory	(131)	(38)
Total	$ 817	$ 755

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2009 and December 31, 2008 consisted of the following (in thousands):

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	March 31, 2009	December 31, 2008
Trade accounts payable	$ 1,879	$ 1,966
Accrued royalties	251	247
Accrued interest	123	103
Sales taxes payable	110	107
Accrued compensation	192	175
Accrued property taxes	37	36
Accrued professional fees	48	31
Accrued warranty costs	22	22
Total	$ 2,662	$ 2,687

6. Secured Convertible Notes Payable

Pursuant to the terms of a Security Agreement and a Registration Rights Agreement (the "Agreements") dated May 23, 2006, the Company agreed to issue to private investors (the "Investors") callable secured convertible notes (the "Debentures") in the amount of $2,000,000, with interest at the rate of 6% annually. The Debentures are convertible into shares of the Company's Common Stock at the product of the "Applicable Percentage" and the average of the lowest three (3) trading prices for the common stock during the twenty (20) day period prior to conversion. Applicable Percentage is 50%; provided, however that the percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing of the transaction and (ii) 65% in the event the Registration Statement becomes effective within one hundred and twenty days of the closing of the transaction.

On May 23, 2006 the Company issued Debentures in the amount of $700,000 with a maturity date of May 23, 2009. On June 21, 2006 the Company issued Debentures in the amount of $600,000 with a maturity date of June 21, 2009. Pursuant to the terms of the Agreements, the Company shall issue Debentures and receive the third traunch in the amount of $700,000 when the Registration Statement is declared effective by the Securities and Exchange Commission. The Registration Statement filed to register common stock issuable upon conversion of the Debentures had yet to be declared effective. Accordingly, the Company has not received the third traunch of funding from the Investors. Legal and other fees incurred in conjunction with the Debentures issued on May 23, 2006 and June 21, 2006 were $130,000 and $90,000, respectively and are being amortized over the maturity periods of the Debentures.

At March 31, 2009, the beneficial conversion features had an estimated fair value of $2,221,000. In valuing the beneficial conversion features at March 31, 2009, the Company used the closing price of its common stock of $0.024, risk free rate of return of 0.875%; dividend yield of 0%; the conversion price as defined in the debt agreement; remaining term to maturity; and a volatility factor of 242%. For the three months ended March 31, 2009 and 2008 the Company derivative gains from the beneficial conversion features in the Convertible Debentures of $94,000 and $465,000, respectively.

Accrued Interest Converted To Notes

On January 31, 2008, the Investors converted accrued interest of $115,900 related to the Debentures into three Callable Secured Convertible Notes (the "Notes") with interest at the rate of 2% annually. The Notes are convertible into shares of the Company's Common Stock at the product of the "Applicable Percentage" and the average of the lowest three (3) trading prices for the common stock during the twenty (20) day period prior to conversion. Applicable Percentage is 50%.

At March 31, 2009, the beneficial conversion features had an estimated fair value of $294,000. In valuing the beneficial conversion features at March 31, 2009, the Company used the closing price of its common stock of $0.024, risk free rate of return of 0.875%; dividend yield of 0%; the conversion price as defined in the debt agreement; remaining term to maturity; and a volatility factor of 262%. For the three months ended March 31, 2009 the Company recorded derivative losses from the beneficial conversion features in the Convertible Debentures of $6,000.

Advances from Related Parties

Advances from Related Parties include amounts due to shareholders and Company officers.

7. Loss Per Share

Basic loss per common share is based on the weighted average number of common shares outstanding in each period and earnings adjusted for preferred stock dividend requirements. Diluted earnings per common share assume that any dilutive convertible preferred shares outstanding at the beginning of each period were converted at those dates, with related interest, preferred stock dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options and warrants for which market price exceeds exercise price, less shares which could have been purchased by the Company with related proceeds. The convertible preferred stock and outstanding stock options and warrants were not included in the computation of diluted earnings per common share for the three months ended March 31, 2009 and 2008 since it would have resulted in an antidilutive effect.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data).

	Three Months Ended	
	March 31, 2009	March 31, 2008
Numerator		
Basic and diluted loss	$ (746)	$ (1,099)
Denominator		
Basic and diluted earnings per share-weighted average shares outstanding	170,733	106,428
Basic and diluted loss per common share	$ (0.01)	$ (0.01)

Anti-dilutive securities (based on conversions to common shares) not included in net loss per share calculation (in thousands):

	March 31, 2009	March 31, 2008
Convertible Series A Preferred Stock	457	458
Convertible Series B Preferred Stock	676,594	608,861
Convertible Series G Preferred Stock	10,539	11,139
Convertible Series S Preferred Stock	1,000,000	--
Stock Warrants	60,588	65,749
Stock Options	19,425	19,425
	1,767,603	705,632

8. Stockholders' Deficit

During the three months ended March 31, 2009, the Company issued 5,950,000 shares of common stock to consultants for services performed. The Company recorded compensation expense of $169,000 for the issued shares.

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In March 2009, the Company issued 100,000 shares of Series B Preferred Stock to unrelated investors for cash of $200,000. For each share purchased the investors received a warrant to purchase four hundred shares of common stock at an exercise price of $0.10 per share. The warrants expire in March 2011. The warrants were valued using the Black Scholes Valuation Method based on the fair value of the Company's common stock of $0.02; an exercise price of $0.10; a 2 year term; risk free rate of return of 2.125%; dividend yield of 0%;and a volatility factor of 226%. The fair value of the warrants of $151,359 was recorded as an increase to Additional Paid-In Capital.

In January 2009, the Company issued 573,332 shares of Series B Preferred Stock to unrelated investors for cash of $415,000.

During the three months ended March 31, 2009, investors converted 122,250 shares of Series B Preferred Stock into 12,225,000 shares of common stock.

On March 3, 2009, investors converted 6,000 shares of Series G Preferred Stock into 600,000 shares of common stock.

9. Segment Information and Major Customers

The Company has operations in the United States and Canada. Selected financial data by geographic area was as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
United States		
Revenues	$ 297	$ 203
Operating expenses	643	980
Net loss	(743)	(546)
Canada		
Revenues	$ 70	$ 223
Operating expenses	12	384
Net loss	(3)	(553)

The Company believes that all of its material operations are conducted in the servicing and sales of medical imaging devices and it currently reports as a single segment.

During the three months ended March 31, 2009, the Company had a limited number of customers as follows:

Number of customers	30	
Customers accounting for more than 10% of revenues	1	*
Percent of revenues derived from largest customer	41	%

* During the three months ended March 31, 2009, the Company sold one refurbished PET System for $150,000. All other revenue was derived from service and parts sales.

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10. Subsequent Event

On May 18, 2009, the Company authorized the issuance of options to purchase an aggregate of 1,000,000 shares of Series B Preferred Stock to key employees and consultants of the Company. The options are exercisable at the price of $1.00 per share of Series B and expire on December 31, 2013.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is including the following cautionary statement in this Quarterly Report on Form 10-Q to make applicable and utilize the safe harbor provision of the Private Securities Litigation Reform Act of 1995 regarding any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are other than statements of historical facts. Certain statements contained herein are forward-looking statements and, accordingly, involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitations, examination of historical operating trends, data contained in records and other data available from third parties, but there can be no assurance that the Company's expectations, beliefs or projections will result, or be achieved, or be accomplished.

Positron Corporation (the "Company") was incorporated on December 20, 1983 in the state of Texas and commenced commercial operations during 1986. Positron Corporation operations include Molecular Imaging Devices and Radiopharmaceutical Distribution Products. The Molecular Imaging Devices portion of the business provides Positron Emission Tomography (PET) scanners and Single Photon Emission Computed Tomography (SPECT) cameras. Radiopharmaceutical Products offers the world's first robotic systems for distribution and delivery of radiopharmaceuticals and provides radiopharmaceutical agents used for the diagnosis of cardiac diseases. The Company attempts to create revenue by offering low cost molecular imaging devices, disease specific software, radiopharmaceutical distribution and delivery systems, and radiopharma–ceutical agents for cardiac nuclear medicine. The Company, participates in manufacturing of its PET scanner the Attrius™, through its' joint venture with Neusoft Medical Systems Co., LTD. These systems will utilize the Company's patented and proprietary technology, an imaging technique which assesses the biochemistry, cellular metabolism and physiology of organs and tissues, as well as producing anatomical and structural images. Targeted markets include medical facilities and diagnostic centers located throughout the world. The Company's systems are used by physicians as diagnostic and treatment evaluation tools in the areas of cardiology, neurology and oncology. The Company faces competition principally from three other companies which specialize in advanced medical imaging equipment.

Positron Pharmaceuticals Company – Dose Shield Acquisition

On June 5, 2008, the Registrant, and its wholly-owned subsidiary Positron Pharmaceuticals Company, a Nevada corporation ("Positron Pharmaceuticals"), executed and consummated a Stock Purchase Agreement to acquire all of the issued and outstanding stock (the "Acquisition") of Dose Shield Corporation, an Illinois corporation ("Dose Shield"). The purchase price of the Acquisition consisted of: 80,000,000 shares of the Registrant's common stock, par value $0.01 per share (the "Common Stock"), deliverable in two equal tranches, the first 40,000,000 shares at the closing, the second contingent upon verification by an independent third party that Dose Shield's Cardio-Assist device is deemed in commercially reasonable working order and is ready for resale not later than December 31, 2009; (ii) cash in the amount of $600,000, $60,000 payable, at the closing and the balance due on December 31, 2008, unless extended for one year with interest at the rate of 8%; earn out payments through December 31, 2008 equal to the lesser of (x) 50% of the net revenue generated from sales of Pharm-Assist equipment, including receivables, or (y) $600,000; and royalties equal to 1.5% of net revenues generated from sales of all Dose Shield equipment sold by Positron Pharmaceuticals following the Closing.

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The assets acquired and liabilities assumed included accounts receivable and deferred revenues from sales contracts that were executed by Dose Shield's majority shareholder NukeMed Corporation. NukeMed, acting as Dose Shield's sales and marketing agent, entered into several sales agreements for Nuclear Pharm -Assist™ systems. The agreements and all obligations were assigned to Positron Pharmaceuticals Company in the Acquisition. The Nuclear Pharm-Assist™ system is designed to support the staff of Nuclear Medicine Departments and Nuclear Pharmacies. The Nuclear Pharm -Assist™ compounds kits, fills vials and syringes, assays vials and syringes and dispenses vial and syringes in a shielded container. The unique design reduces worker radiation exposure and repetitive motion injuries. The shielding is integrated into the design and is considered standard.

Joint Venture

The Company and Neusoft Medical Systems Co., Inc., through their joint venture, Neusoft Positron Medical Systems Co., Ltd. (the "NPMS"), have been, developing an upgraded PET imaging system to accommodate the growing need by cardiologists for competitively priced, high quality molecular imaging devices in today's challenging economy. The Attrius™ Cardiac PET system was submitted to the FDA in January 2009 and was approved in April 2009.

Results of Operations

The consolidated results of operations for the three months ended March 31, 2009 and 2008 included the results of Positron Corporation and its wholly-owned subsidiaries Imaging Pet Technologies ("IPT") and Positron Pharmaceuticals Company (not included in 2008 results since acquisition was made in June 2008).

Comparison of the Results of Operations for the Three Months ended March 31, 2009 and 2008

The Company experienced a net loss of $746,000 for the three months ended March 31, 2009 compared to a loss of $1,099,000 for the same period in 2008. The decrease in the current three month period as compared to the same period last year is attributable to a significant decrease in operating expenses resulting in large part from the closing of the IPT facility in Canada in 2008. In addition, also in 2008 the Company significantly down sized its Houston operation where it now has just one employee. All operations of the Company have been consolidated in Indianapolis, Indiana.

Revenues - Revenues for the three months ended March 31, 2009 were $367,000 as compared to $426,000 for the three months ended March 31, 2008. In each three month period the Company had system sales of approximately $150,000. However, service revenue decreased from $271,000 during the three months ended March 31, 2008 to $217,000 during the three months ended March 31, 2009. The significant drop in IPT gamma camera sales since 2007 has resulted in a sharp decrease in service revenue. In addition, the Company lost four service contracts that covered PET systems and another customer converted to a time and materials contract that also resulted in less service revenue.

Operating Expenses - Operating expenses for the three months ended March 31, 2009 were $655,000 compared to $1,364,000 for the three months ended March 31, 2008.

Research and development costs for the three months ended March 31, 2009 were $30,000 compared to $285,000 for the three months ended March 31, 2008. Research and development costs at IPT were approximately $120,000 for the three months ended March 31, 2008. These costs were related to further development of the IS2 gamma cameras. The Company has temporarily stopped development on the camera until adequate funding can be obtained. For the three months ended March 31, 2008 the Company also incurred research costs of $164,000 related to the NPMS joint venture and upgrade and modernization of the PET imaging system. The modernization development program was substantially completed in 2008 and the new system was submitted to the FDA in January 2009 and was approved in April 2009.

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