POSITRON CORP
Form 10-Q/A
December 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 2)

(Mark One)

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

For the quarterly period ended March 31, 2014

Commission file number 000-29449

POSITRON CORPORATION

(Exact Name of Registrant as specified in its charter)

Texas	**76-0083622**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

530 Oakmont Lane, Westmont, Illinois	**60559**
(Address of Principal Executive Offices)	(Zip Code)

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

Indicate by check mark whether the issuer (1) 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 ¨

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 x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

The numbers of shares outstanding of common stock, par value $0.0001 per share outstanding as of May 15, 2014: 3,720,072,702

Explanatory Note: Positron Corporation (the "Registrant) is amending the quarterly report on Form 10-Q for the period ended March 31, 2014, originally filed with the Securities and Exchange Commission on May 15, 2014, (the "Form 10-Q") as amended on May 16, 2014, to furnish Exhibit 101 to the Form 10-Q in accordance with Rule 405 of Regulation S-T. The sole purpose of this Amendment No. 2 to the Form 10-Q is to classify a related party transaction which the Registrant inadvertently omitted to classify but was recorded in the financial statements of the Form 10-Q, and to revise Item 4. - Controls and Procedures.

POSITRON CORPORATION

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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, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,178	$ 1,744
Accounts receivable, less allowance for doubtful accounts of $141	248	247
Inventories, less reserve of $444	470	547
Prepaid expenses	35	35
Total current assets	1,931	2,573
Property and equipment, less accumulated depreciation of $393 and $346	1,011	1,044
Intangible assets	9	10
Other assets	255	255
Total assets	$ 3,206	$ 3,882
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, trade and accrued liabilities	$ 1,089	$ 1,401
Customer deposits	658	658
Unearned revenue	24	45
Advances from related parties	870	1,035
Notes payable – current portion	529	98
Convertible debentures, less debt discount of $1,267 and $1,328	1,613	4,452
Embedded conversion derivative liabilities	3,621	6,968
Total current liabilities	8,404	14,657
Notes payable – noncurrent portion	11	466
Common stock payable	6,893	-
Total liabilities	15,308	15,123
Stockholders' deficit:		
Series A preferred stock: $1.00 par value; 8% cumulative, convertible, redeemable; 7,900,000 shares authorized; 447,652 shares issued and outstanding.	448	448

Series B preferred stock: $1.00 par value; convertible, redeemable; 9,000,000 shares authorized; 3,056,487 shares issued and outstanding	2,750	2,750
Series S preferred stock: $1.00 par value; convertible, redeemable; 100,000 shares authorized; 100,000 shares issued and outstanding	100	100
Series H preferred stock: $0.01 par value; convertible, redeemable; 15,000,000 shares authorized; 12,500,000 shares issued and outstanding	125	125
Common stock: $0.01 par value; 3,000,000,000 shares authorized; 1,452,548,262 shares issued and outstanding	14,208	14,208
Additional paid-in capital	94,575	94,575
Accumulated deficit	(124,293)	(123,432)
Treasury stock: 60,156 shares at cost	(15)	(15)
Total stockholders' deficit	(12,102)	(11,241)
Total liabilities and stockholders' deficit	$ 3,206	$ 3,882

See accompanying notes to consolidated financial statements

POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	For The Three Months Ended	
	March 31, 2014	March 31, 2013
Sales:	$ 456	$ 371
Costs of sales:	428	246
Gross profit	28	125
Operating expenses:		
General and administrative	565	567
Research and development	102	228
Selling and marketing	46	99
Total operating expenses	713	894
Loss from operations	(685)	(769)
Other income (expense)		
Interest expense	(396)	(493)
Derivative gain	220	61
Total other income (expense)	(176)	(432)
Loss before income taxes	(861)	(1,201)
Income taxes	-	-
Net loss	$ (861)	$ (1,201)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Basic and diluted weighted average shares outstanding	1,452,548	1,451,927

See accompanying notes to consolidated financial statements

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POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2014	March 31, 2013
Cash flows from operating activities:		
Net loss	$ (861)	$ (1,201)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	36	47
Stock based compensation	-	88
Derivative (gain)	(220)	(61)
Accretion of debt discount	381	450
Changes in operating assets and liabilities:		
Accounts receivable	(1)	(19)
Inventories	77	(90)
Prepaid expenses and other assets	-	2
Accounts payable, trade and accrued liabilities	(86)	48
Unearned revenue	(21)	(4)
Net cash used in operating activities	(695)	(740)
Cash flows from investing activities:		
Purchase of property and equipment	(2)	(1)
Net cash used in investing activities	(2)	(1)
Cash flows from financing activities:		
Payments on note payable	(24)	(62)
Noninterest bearing advances	-	600
Payment of noninterest bearing advances	(165)	-
Proceeds from convertible debt	320	-
Net cash provided by financing activities	131	538
Net decrease in cash and cash equivalents	(566)	(203)
Cash and cash equivalents, beginning of period	1,744	243

Cash and cash equivalents, end of period	$ 1,178	$ 40
Supplemental cash flow information:		
Conversion of convertible debentures, accrued interest and derivative liability to Common stock payable	$ 6,893	$ -

See accompanying notes to consolidated financial statements

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, 2013. 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, 2013, as reported in the Form 10-K, have been omitted.

In preparing the interim unaudited consolidated financial statements, management was required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the financial reporting date and throughout the periods being reported upon. Certain of the estimates result from judgments that can be subjective and complex and consequently actual results may differ from these estimates.

All significant intercompany balances and transactions have been eliminated.

2. Accounting Policies

For a summary of significant accounting policies (which have not changed from December 31, 2013), see the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Intangible Assets

The Company also reviews its identified intangible assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses recoverability by reference to future cash flows from the products underlying these intangible assets. If these estimates change in the future, the Company may be required to record impairment charges for these assets. As of March 31, 2014, no impairment was recorded.

Debt Discount

Costs incurred with parties who are providing long-term financing, which generally include the value of warrants or the fair value of an embedded derivative conversion feature, are reflected as a debt discount and are amortized over the life of the related debt. The debt discount attributable to the embedded conversion derivative liability during the three months ended March 31, 2014 and 2013 was $0 and $0, respectively. The Company recorded the accretion of debt discount of $381,000 and $450,000 during the three months ended March 31, 2014 and 2013, respectively. The total unaccreted debt discount at March 31, 2014 was $1,267,000, compared to $1,328,000 at December 31, 2013.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, prepaids, deposits, accounts payable and accrued liabilities, common stock payable, and unearned revenue, approximate their fair values because of the short-term nature of these instruments. Management believes the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company utilizes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

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- Level 1 — Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

- Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices included for identical or similar assets and liabilities that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. These are typically obtained from readily-available pricing sources for comparable instruments.

- Level 3 — Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own beliefs about the assumptions that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The following table presents the embedded conversion derivative liability, the Company's only financial liability measured and recorded at fair value on the Company's consolidated balance sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2014 (in thousands):

	March 31, 2014	Level 1	Level 2	Level 3
Embedded conversion derivative liability	$ 3,621	$ -	$ -	$3,621

The following table reconciles, for the three months ended March 31, 2014, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements (in thousands):

Balance of embedded conversion derivative liability as of December 31, 2013	$6,968
Fair value of embedded conversion derivative liabilities at issuance	320
Gain on fair value adjustments to embedded conversion derivative liability	(220)
Reductions in fair value do to conversion of convertible debentures into common stock payable	(3,447)
Balance of embedded conversion derivative liability at March 31, 2014	$3,621

The fair value of the conversion features are calculated at the time of issuance and the Company records a derivative liability for the calculated value using a Black-Scholes option-pricing model. Changes in the fair value of the derivative liability are recorded in other income (expense) in the consolidated statements of operations. Upon conversion of the convertible debt to stock, the Company reclassifies the related embedded conversion derivative liability to paid in capital. Since the fair value of the embedded conversion derivative liability exceeded the carrying value of the convertible debentures on the issuance date, the convertible debentures were recorded at a full discount. The Company recognizes expense for accretion of the convertible debentures discount over the term of the notes. The Company has considered the provisions of ASC 480, *Distinguishing Liabilities from Equity*, as the conversion feature embedded in each debenture could result in the note principal being converted to a variable number of the Company's

common shares.

Revenue Recognition

The Company's revenues are currently derived from the sale of medical equipment products, maintenance contracts and service revenues. Revenues from maintenance contracts are recognized over the term of the contract. Service revenues are recognized upon performance of the services. The Company recognizes revenues from the sale of medical equipment products when earned. Specifically, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred (or services have been rendered), the price is fixed or determinable, and collectability is reasonably assured. The Company obtains a signed customer acceptance after installation is complete for the sale of its Attrius® systems.

In multiple-element arrangements, revenue is allocated to each element based on their relative selling prices. Relative selling prices are based first on vendor specific objective evidence (VSOE), then on third-party evidence of selling price (TPE) when VSOE does not exist, and then on estimated selling price (ESP) when VSOE and TPE do not exist. Because the Company has neither VSOE nor TPE for its products, the allocation of revenue has been based on the Company's ESPs. The objective of ESP is to determine the price at which the Company would transact a sale if the product was sold on a stand-alone basis. The Company determines ESP by considering the facts and circumstances of the product being sold.

Recent Accounting Pronouncements

Recently issued or adopted accounting pronouncements are not expected to, or did not have, a material impact on our financial position, results of operations or cash flows.

3. Going Concern

Since inception, the Company has expended substantial resources on research and development and sustained losses. Due to the limited number of systems sold or placed into service each year, revenues have fluctuated significantly from year to year and have not been sufficient to be operationally profitable. The Company had an accumulated deficit of $124,293,000 and a stockholders' deficit of $12,102,000 at March 31, 2014. The Company will need to increase sales and apply the research and development advancements to achieve profitability in the future. The Company will need to resume and increase sales of PET and radiopharmaceutical systems, services, radiopharmaceuticals and radioisotope sales and apply the research and development advancements to achieve profitability in the future. There can be no assurance that the Company will continue to be successful in selling products.

The Company had cash and cash equivalents of $1,178,000 at March 31, 2014. At the same date, the Company had accounts payable and accrued liabilities of $1,089,000 at March 31, 2014, and a negative working capital of $6,473,000. Working capital requirements for the upcoming year will 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. Other Assets

Other assets at March 31, 2014 and December 31, 2013 consisted of $201,000 in deposits paid to our joint venture partner, Neusoft for Attrius® systems and $54,000 in operating lease deposits.

5. Inventories

Inventories at March 31, 2014 and December 31, 2013 consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Finished systems	$ 13	$ 24
Raw materials and service parts	826	927
Work in progress	75	40
	914	991
Less: Reserve for obsolete inventory	(444)	(444)
	$ 470	$ 547

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method of inventory valuation. The Company evaluated the reserve as of March 31, 2014 and December 31, 2013.

6. Property and Equipment

Property and equipment at March 31, 2014 and December 31, 2013 consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Buildings	$ 500	$ 500
Furniture and fixtures	88	88
Leasehold improvements	72	72
Computer equipment	64	62
Research equipment	667	667
Machinery and equipment	158	158
	1,549	1,547
Less: Accumulated depreciation	(538)	(503)
	$ 1,011	$ 1,044

7 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2014 and December 31, 2013 consisted of the following (in thousands):

	March 31, 2014	December 31, 2013
Trade accounts payable	$ 800	$ 849
Accrued royalties	87	87
Accrued interest	47	278
Sales taxes payable	87	89
Accrued compensation	40	70
Other accrued expenses	28	28
Total	$ 1,089	$ 1,401

8. Customer Deposits

Customer deposits represent amounts paid to the Company by customers for devices in advance of manufacturing completion and/or shipment of the device to the customer. Our customer sales contracts require our customers to pay the Company 30% upon signing the contract, 60% upon notification to ship, and the remaining 10% after customer acceptance. Deposit amounts may vary depending on the contract. Included in customer deposits at March 31, 2014 and December 31, 2013 were deposits of approximately $658,000 from a customer that had placed an order in 2007 for five Nuclear Pharm-Assist™ systems. As of the date of this report, there can be no assurance that this customer will fulfill its order for these devices.

9. 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 assumes 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, 2014 and 2013, respectively since it would have resulted in an antidilutive effect.

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

	Three Months Ended	
	March 31, 2014	March 31, 2013
Numerator		
Basic and diluted loss	$(861)	$ (1,201)
Denominator		
Basic and diluted earnings per share - weighted average shares outstanding	1,452,548	1,451,927
Basic and diluted loss per common share	$(0.00)	$ (0.00)

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

	March 31, 2014	March 31, 2013
Convertible Series A preferred stock	448	441
Convertible Series B preferred stock	305,648	305,649
Convertible Series S preferred stock	1,000,000	1,000,000
Convertible Series H preferred stock	482,625	-
Stock warrants	122,500	267,650
Convertible debt	403,470	722,910
Common stock options	188,600	190,600
Series B preferred stock options	207,000	250,000
Common stock payable	1,378,580	-

10. Convertible Debentures

During the three months ending March 31, 2014, the Company issued $320,000 of convertible debentures "(Convertible Debentures") to certain investors ("Investors"). The Convertible Debentures do not accrue interest. The debentures mature on December 31, 2014. The Investors are entitled to convert the accrued interest and principal of the Convertible Debentures into common stock of the Company at a conversion price equal to 55% of the lowest daily volume weighted average price for the three trading days preceding conversion.

Initial Accounting

Under the initial accounting, the Company separated the Convertible Debentures instrument into component parts of the Convertible Debentures and embedded conversion derivative liability. The Company estimated the fair value of each component as of the date of issuance. The fair value of the embedded conversion derivative liability exceeded the proceeds from the Convertible Debentures, which resulted in a debt discount of $320,000. The debt is accreted to interest expense over the life of the Convertible Debentures.

The following is a summary of the proceeds from the issuance of the Convertible Debentures and the initial accounting of the issuance (in thousands):

Proceeds from convertible debt issuance	$320
Allocation of proceeds to embedded conversion derivative liability	$320

During the three months ended March 31, 2014 and 2013, the Company recognized $381,000 and $449,000, respectively, of interest expense on the Convertible Debentures.

	March 31, 2014
Convertible debentures	$ 2,880
Debt discount	(1,267)
Net convertible debentures	$ 1,613

11. Notes Payable and advances from related parties

On January 17, 2012, the Company assumed from MIT a note payable with Los Alamos National Bank (“LANB”) in the amount of $700,000. On February 10, 2012, MIT refinanced with LANB the principal and accrued interest of this note payable with a promissory note of $708,000, maturing on April 2015. The note renews annually. The monthly payment to LANB on the promissory note is $10,000, with the interest rate of 5.5% at March 31, 2014. The promissory note is guaranteed by the Company and secured by all assets of the Company. Total interest paid on the promissory note was $7,000 during the three months ended March 31, 2014. The note’s outstanding amount was $426,000 at March 31, 2014.

As of March 31, 2014 and December 31, 2013, the Company had outstanding advances of $870,000 and $1,035,000, respectively. These advances are short term notes from their CEO and CFO to help fund operations. The notes are unsecured and non-interest bearing.

The Company has entered into a capital lease for equipment at an interest rate of 7.25%, payable through 2018. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments and are depreciated over their estimated useful lives. The gross amount of assets held under capital leases for the three months ended March 31, 2014 and year ended December 31, 2013 was $16,300, respectively, with accumulated depreciation of $1,746 and $1,165, respectively. Depreciation expense for this equipment for the three months ended March 31, 2014 was $600.

Future maturities of notes payable, advances and capital leases are as follows:

March 31,	
2015	$1,403,000
2016	4,000
2017	3,000
	1,410,000
Less: current portion	(1,399,000)
Note payable – noncurrent portion	$11,000

12. Stockholders' Deficit

2014

As of March 31, 2014, the Company had common stock payable of $6,893,000. During the period January 1, 2014 through March 31, 2014, various holders of convertible debt submitted their respective debt for conversion but the shares were not available for issuance due to the lack of authorized shares. The shares were issued in May 2014.

13. Stock Options

For all of the Company's stock-based compensation plans, the fair value of each grant was estimated at the date of grant using the Black-Scholes option-pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield (which is assumed to be zero, as the Company has not paid cash dividends to date and does not currently expect to pay cash dividends) and the expected term of the option. Expected volatilities

utilized in the model are based mainly on the historical volatility of the Company's stock price over a period commensurate with the expected life of the share option as well as other factors. The risk-free interest rate is derived from the zero-coupon U.S. government issues with a remaining term equal to the expected life at the time of grant.

For options issued during 2012, fifty (50) percent of the options vested immediately on the grant date with the remaining fifty (50) percent vesting on January 17, 2013. The company recognized compensation expense of $88,000 during the first quarter of 2013.

14. Related Party Transactions

During the period January 1, 2014 through March 31, 2014, the Company repaid $57,500 to its CEO from previous related advances.

During the period January 1, 2014 through March 31, 2014, the Company repaid $107,500 to its CFO from previous related advances.

During the period January 1, 2014 through March 31, 2014, the Company paid consulting fees in the amount of $37,000 to the brother of its then CEO.

On January 31, 2013 the Company accepted a non-interest bearing $250,000 advance from its CEO. At the time, the Company issued no shares or warrants in connection with this transaction.

On February 27, 2013 the Company accepted a non-interest bearing $250,000 advance from its CFO. At the time, the Company issued no shares or warrants in connection with this transaction.

On March 25, 2013 the Company accepted a non-interest bearing $100,000 advance from its CEO. At the time, the Company issued no shares or warrants in connection with this transaction.

15. Commitments

Lease Agreements

On April 19, 2010, the Company entered into an operating lease agreement with a third party for warehousing and office space in Niagara, New York. The lease expires in May 2014, with an option to renew for an additional three years. Monthly rent is $1,800.

On July 7, 2011, the Company entered into an operating lease with a third party for space for medical device assembly and warehousing at a building in Fishers, Indiana. The Company is required to make payments of $5,083 each month from December 1, 2011 through November 13, 2013, and $5,287 from December 1, 2013 through November 30, 2016. The amount of leased space at this location is approximately 9,761 square feet.

On December 5, 2011, MIT entered into an operating lease with a third party for space for warehousing at a building in Lubbock, Texas. The Company will be required to make payments of $1,475 each month from month to month.

Litigation

On June 8, 2012, the owner of the radiopharmaceutical manufacturing facility the Company formerly leased in Crown Point, Indiana commenced an action to recover the use of the premises and the remaining rent due under the lease. On November 14, 2012, the owner was awarded a judgment against the Company in the amount of $85,525 plus interest at the rate of 8%. The Company and the owner agreed to monthly payments in the minimum amount of $5,000 until the judgment is paid in its entirety.

In May, 2013, the Company was served with a First Amended Complaint in an action commenced against its CEO and principal shareholder. The plaintiff in the action is seeking to enforce a judgment against the CEO and principal shareholder and is seeking to have the Company’s Westmont, Illinois offices, which it purchased from the CEO, reconveyed. The CEO and the principal shareholder have disputed the basis of the judgment and the Company has denied the allegations in the Complaint. The action is currently in the discovery stage.

16. Segment Disclosures

We have aggregated our operations into two reportable segments based upon product lines, manufacturing processes, marketing and management of our businesses: medical equipment and radiopharmaceuticals/radioisotopes. Our business segments operate in the nuclear medicine industry. The Company's medical equipment segment is currently generating all revenues and the majority of all expenses as the radiopharmaceuticals/radioisotopes segment are still in the development phase.

We evaluate a segment's performance based primarily upon operating income before corporate expenses.

Corporate assets consist primarily of cash but also include plant and equipment associated with our headquarters. These items (and income and expenses related to these items) are not allocated to the segments. Unallocated income/expenses include interest income, interest expense, debt extinguishment and refinancing costs and other (expense) income and certain expenses which are not considered related to either segment, but are instead considered general corporate expenses.

The following table represents sales, operating loss and total assets attributable to these business segments for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2014	March 31, 2013
Total Sales:		
Medical equipment	$ 456	$ 371
Radiopharmaceuticals/Radioisotopes	-	-
Total sales	$ 456	$ 371
Operating Loss:		
Medical equipment	$ (482)	$ (582)
Radiopharmaceuticals/Radioisotopes	(203)	(187)
Unallocated	-	-
Total operating loss	$ (685)	$ (769)
Total Assets:		
Medical equipment	$ 2,722	$ 1,629
Radiopharmaceuticals/Radioisotopes	484	914
Unallocated	-	-
Total assets	$ 3,206	$ 2,543

17. Subsequent Events:

Management has evaluated all events that occurred through the date of these financials were issued to determine if they must be reported. The Management of the Company determined that the following subsequent events were required to be disclosed:

During the periods April 1, 2014 through May 13, 2014 the Company repaid $85,000 to its CEO from previous related advances.

During the periods April 1, 2014 through May 13, 2014 the Company repaid $50,000 to its CFO from previous related advances.

On April 17, 2014, the Company effectuated its previously disclosed recapitalization by amending its Certificate of Formation to increase the number of its authorized shares of capital stock to 6,000,000,000 shares of Common Stock, par value $0.0001 per share, and 50,000,000 shares of preferred stock, par value $0.0001 per share. The Company has elected not to pursue its planned domicile change to a Delaware corporation.

In May 2014, the Company issued an aggregate of 2,267,524,440 shares of Common Stock. 2,015,524,440 shares were issued as a result of conversions of convertible promissory notes in the original aggregate amount of $5,629,450, an aggregate of 2,000,000 shares from to the conversion of 20,000 shares the Company’s Series B Convertible Preferred Stock into Common Stock and 250,000,000 shares from the conversion of 25,000 of the Company’s Series S Convertible Redeemable Preferred Stock.

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

Overview

Positron Corporation (the "Company" or "Positron") a nuclear medicine healthcare company specializing in the field of cardiac Positron Emission Tomography (PET) imaging Cardiac PET is the superior method in diagnostic nuclear imaging for the detection of coronary artery disease (CAD).

Positron's products and services enable healthcare providers to more accurately diagnose disease and improve patient outcomes, while practicing cost effective medicine. Positron is the only company that will provide an economical, end-to-end solution for PET myocardial perfusion imaging through complementary product integration of PET imaging systems, radiopharmaceuticals, and radioisotopes.

The Company believes its unique proprietary products, market position and vertically integrated strategy will lead to accelerated adoption and growth of the cardiac PET modality in the U.S. and emerging markets. Through leadership within our field, Positron intends to gain a dominant market position with strong earnings potential, ultimately becoming a sustained, long-term value creator for industry participants and our shareholders.

Our Products and Key Components

The Company offers a range of products and services for nuclear imaging community that are discussed below.

PET Imaging Systems: Support and Service

Attrius® is the only FDA approved dedicated PET scanner optimized for cardiac imaging. Attrius® was named the "Most Innovative Device of 2010" by the renowned business research and consulting firm Frost & Sullivan. The Attrius® provides a robust, cardiac specific imaging software package designed to ensure effortless interpretation for today's most challenging clinical cases for nuclear cardiologists. Heart disease specific software includes the ability to monitor therapy, coronary artery overlay display, and open architecture for new protocol development and customization and motion correction software. The Attrius® is targeted for cardiac clinics and is designed to meet the performance, budget and space needs of the most demanding cardiologists.

Positron has further advanced its product portfolio with the addition of Coronary Flow Reserve (CFR) software. The University of Texas Health Science Center at Houston has received FDA approval for the CFR quantification software, to be used with Positron's Attrius PET scanner. Positron is licensed to distribute and support this software, a clear differentiator in patient diagnosis.

Positron offers a comprehensive world-class clinical, technical, and service customer care plan, through its PosiStar® customer care services. PosiStar® includes: 24/7 clinical and service support; uptime guarantees; remote access diagnostic/maintenance; physician interpretation training; billing training; nurse training; post-install physician over-reads; ICANL approval assistance; 6 months evaluation/assessment; industry luminary collaboration, etc. PosiStar® is a fee-based service, typically for three to five years.

Radiopharmaceuticals: Manufacturing, Processing & Distribution

Positron intends to couple an Sr-82/Rb-82 generator with the Attrius sales and utilize Positron's current nuclear cardiology network. Initial efforts will be focused on North America. This product is a key element of Positron's strategy to vertically integrate the production and delivery of a complete cardiac imaging solution: isotope (Sr-82), generator (Rb-82), and imaging system (Attrius®).

PosiRx® is a radiopharmaceutical system that automates the elution, preparation and dispensing processes for radiopharmaceutical agents used in molecular imaging. It was created to simplify and control the procedures associated with compounding radiopharmaceuticals. PosiRx® integrates features that increase productivity while decreasing exposure and costs. Additionally, the PosiRx® assists in compliance with all current USP-797 and ALARA exposure control requirements for the production of unit dose radiopharmaceuticals.

PosiRx® is the first system of its kind to offer a complete and comprehensive automated solution, creating a more efficient and economical alternative to the current pharmacy per dose model. PosiRx® is targeted for clinics and hospitals with average to high SPECT imaging and pharmaceutical compounding volumes, in the U.S. and abroad. With PosiRx®, Positron intends to exploit possibilities existing in the SPECT imaging and pharmaceutical markets for both cardiology and oncology.

Radioisotopes: Production & Distribution

Positron, through MIT, has registered its Drug Master File (DMF) for API grade Sr-82 with the FDA. This marks Positron's entrance into the radioisotope market with a high demand product as a precursor for PET radiopharmaceuticals. Positron is the only commercial resource in the U.S. that possesses the practical experience and knowledge in all stages of Sr-82 production and spent generator lifecycle management. Currently, Positron produces API grade strontium-82 from target material received from its foreign collaborators.

Positron plans to build and operate the world's largest commercial high energy/high current cyclotron (70MeV) within the U.S. The proposed facility will be unique in that it will be capable of producing isotopes that are either not available or have very limited availability from other commercial sources in the United States and the world.

The primary isotope to be produced is Sr-82, that is currently in short supply in the world and is produced in the U.S. only by the Department of Energy ("DOE") National Laboratories.

The Company

Positron, a pioneer in cardiac PET, is well branded in the field of nuclear cardiology. Founded in 1983, Positron has gained significant traction in the industry based on its imaging technology and strong commitment towards advancing cardiac care. Originally a research & development company, Positron's business strategy has evolved and grown over the past several years. Positron has expanded from a medical imaging device manufacturer to a nuclear healthcare company integrating the key components of the cardiac PET supply chain to provide an end-to-end solution for the

market.

The Company believes that our unique products, market position and vertical integration strategy will stabilize and secure the supply chain, significantly reducing costs and industry uncertainties, a substantial advantage, leading to further adoption and growth of the cardiac PET modality.

Positron, through the acquisition of Manhattan Isotope Technology (MIT) in 2012, is the only commercial resource in the U.S. with practical knowledge and experience in all stages of Sr-82 production and generator lifecycle management. Positron seeks to secure both short and long-term supply of radioisotopes used in cardiac PET imaging. Currently, the Company is producing Active Pharmaceutical Ingredient (API) grade Sr-82 at its Lubbock, Texas, facility from strontium received from foreign irradiated source suppliers. The Company intends to further supplement strontium resources by pursuing additional supply agreements with all domestic and foreign irradiated source suppliers, requesting increases in production schedules from third party suppliers, and by recycling expired generators. Positron seeks to secure a long-term North America supply of medical radioisotopes for cardiac PET imaging by building and operating the largest commercial high-energy/high-current cyclotron (70MeV) within the U.S. This 70 MeV cyclotron will be at the heart of providing a reliable, dependable, and indigenous supply of radioisotopes, stabilizing and building confidence in the PET market and nuclear medicine community overall. Securing and delivering a reliable supply of radioisotopes should also increase the demand for Positron’s complementary products.

Positron’s business strategy is to gain a dominant market share through the vertical integration of such key components: imaging technologies, clinical services, radiopharmaceutical and radioisotope processing, production, and distribution. Positron creates market efficiencies by integrating these critical components. Positron intends to maximize market share by offering cost-effective, value added solutions to end-users that meet the current and future nuclear cardiology market demands.

70 MeV Cyclotron Project

Pursuing a strategy of complementary product integration, Positron seeks to build and operate a high-energy cyclotron facility used primarily for the production of medical diagnostic imaging and radiotherapy isotopes. The proposed 70MeV cyclotron is unique and capable of producing isotopes that are not available, or have very limited availability, from other commercial sources in the United States.

The major isotope to be produced is Sr-82, which is currently in short supply worldwide and is produced in the U.S. only by the U.S. Department of Energy (DOE) National Laboratories in Los Alamos, New Mexico and Brookhaven, New York. Sr-82 is the parent isotope used in the production of Rb-82 generators for PET myocardial perfusion imaging.

With the recent growth of cardiac PET imaging, the supply of Sr-82 is quickly moving towards capacity within the next one-three years. Annual demands for medical imaging products, produced by a high-energy cyclotron, are expected to reach $30-35 million over the next few years, with continued growth estimated at 25-30% per year thereafter.

The DOE lists many isotopes for medical treatment or diagnostics that are in short supply, some of which can be produced in a high-energy commercial accelerator. Moving from R&D to clinical trials and then to commercial use, these isotopes will further expand the market. Additionally, using secondary targets, a high-energy cyclotron can also produce low-energy isotopes, in conjunction with, the production of high-energy isotopes, generating additional revenue. Positron Corporation can be a key market maker in all these segments and can enter the market, essentially, without competition. The revenue potential and diversity inherent in this project is considerable.

PET vs. SPECT

There are two main imaging modalities utilized in nuclear cardiology: Single Photon Emission Computed Tomography, or SPECT, and Positron Emission Tomography, or PET.

In myocardial perfusion imaging, PET has been proven to be superior in sensitivity and specificity when compared to SPECT, the more commonly utilized modality. Cardiac PET scans, with Rb-82 Chloride or Nitrogen-13 Ammonia (N-13), result in a lower patient radiation exposure and is capable of performing superior quantitative measurements such as coronary flow reserve. Cardiac PET imaging has been shown to provide a 50% reduction in invasive coronary arteriography and coronary artery bypass grafting, leading to a 30% costs savings and improved clinical outcomes, when compared to SPECT (M.E. Merhige, M.D., et al. Journal Nuclear Medicine 2007; 48: 1069-1076).

The cardiac PET equipment market is much smaller than SPECT, but has seen significant annual growth of 25-30% during the last decade and is expected to continue its expansion at 20% average annual growth during the next five years According to Bracco Diagnostics, there were approximately 170 dedicated cardiac PET & PET/CT scanners performing nuclear cardiology within the U.S. in 2013.

Our Market

According to the U.S. Department of Health and Human Services, there are more than 22,000 cardiovascular diseases specialists in the U.S., and their number will increase to 31,000 by 2020. This is the target market for our products and services, as well as hospitals in the United States that performs or could perform nuclear cardiac procedures and want to automate the delivery of radiopharmaceuticals. By adding complimentary products, we are able to offer customers value added solutions which include low cost molecular imaging devices, maintenance service, disease specific software, radiopharmaceutical unit doses drawing devices, and, potentially, radiopharmaceuticals agents for Cardiac Nuclear Medicine.

Cardiac Nuclear medicine helps in the diagnosis, management and prevention of cardiovascular disease (CVD) in patients. Radiopharmaceuticals are injected into a patient to provide the most accurate, non-invasive test for identifying narrowed coronary arteries, mild cholesterol build-up or diffuse coronary vascular disease, conditions that are responsible for almost all heart attacks.

Cardiovascular disease is the leading cause of death in the United States and constitutes 17% of overall national health expenditures (Forecasting the Future of Cardiovascular Disease in the United States, American Heart Association, 2011). Direct CVD costs are projected to increase from $273 Billion, in 2010, to $818 Billion, in 2030; with indirect costs, due to lost productivity, expected to rise from $172 Billion to $276 Billion by 2030.

Market Potential

The cardiac PET industry has an indisputable need for a stable, efficient and economical environment. Through Positron’s leadership and vision to integrate each key segment of the cardiac PET supply chain, the Company will stimulate growth and increase capacity to meet the needs of the global cardiac PET market. Positron intends to become the premier product, services, and solutions provider in the nuclear cardiology industry.

Although the cardiac PET industry experienced its most challenging year ever, it enabled the Company to aggressively pursue its strategy toward aggregating and integrating the key components critical in securing the cardiac value chain. Positron is dedicated to lowering the barriers that have been constricting, or could later constrict, the progress of medical advancements in cardiac PET. Through our efforts to supplement the supply of key radioisotopes and our ability to offer innovative products and services, management has methodically positioned Positron to become the industry’s only end-to-end solutions provider. PET is the future of nuclear cardiology.

We believe that Positron is the only company with the critical components to vertically integrate the fragmented “single source supplier environment” that exists in the cardiac PET market today and that these initiatives are intended to drive the Company towards consistent profitability and cash flow.

Barriers to entry

For many years, one of the major constraints for adoption of this modality had been the high cost of PET and PET/CT scanners. Many practices and hospitals could not justify the cost of a new system for cardiac studies. In 2010, Positron received FDA clearance to market and distribute its dedicated PET system, which is optimized for nuclear cardiology. The Attrius is the only new, cost effective, dedicated PET system available on the market. Other system manufacturers (GE, Philips, Siemens) offer PET/CT cameras, which have a 200%-300% higher purchase price; but comparable performance of cardiac studies.

Another more recent issue that has slowed the growth of nuclear cardiology is the shortage of the key drugs utilized in both SPECT (Mo-99/Tc-99m) and PET imaging (Sr-82/Rb-82).

The Sr-82 isotope decays to produce the Rb-82 tracer utilized in cardiac PET studies. Rb-82 is the most commonly used cardiac PET tracer in the United States. The FDA approved Rb-82 in 1989 for use in the detection of coronary artery disease and the Health Care Financing Administration approved reimbursement for Rb-82, PET MPI, in 1995 as a first line test in symptomatic patients. Rubidium is uniformly available through generator production in the U.S. and is used in conjunction with an automatic infusion system.

Over the past five years the explosive growth of cardiac PET imaging has driven a significant increase in the use of Sr-82/Rb-82 generators. The increasing demand for Sr-82 is beginning to outpace supply. Until recently, the U.S. Department of Energy had been the only entity in the United States capable of providing this material. In August of 2012, MIT submitted its DMF with the FDA and has begun production of API grade strontium-82.

Due to the growing demand and limited supply, the industry suffered a Sr-82 shortage in January 2011, effecting supply of Rb-82 generators. The same year Bracco Diagnostics Inc., the sole market supplier of the Rb-82 generator, underwent a voluntary recall of generators, further stunting industry sales and growth.

Positron is acutely focused on production of Sr-82. Positron possesses certain resources and technical advantages, unique to MIT, which will increase current and future strontium supply.

Results of Operations

Comparison of the Results of Operations for the Three Months ended March 31, 2014 and 2013

The Company experienced a net loss of $861,000 for the three months ended March 31, 2014 compared to a net loss of $1,201,000 for the three months ended March 31, 2013 The decrease in the current three month period loss as compared to the same period last year is attributed primarily to a decrease in general and administrative expenses due to stock-based compensation and derivative gains/losses.

Revenues - Revenues for the three months ended March 31, 2014 were $456,000 as compared to $371,000 for the three months ended March 31, 2013. Service and parts revenue was $453,000 and $371,000 for the three months ended March 31, 2014 and 2013, respectively. Sales of PET systems during last two years, including the three months ended March 31, 2014, have been negatively impacted by shortage of Sr-82/Rb-82 generators supplied to cardiac imaging facilities by Bracco Diagnostics due to cyclotron maintenance and limited production capacity of the isotope Sr-82.

Gross Margin - Gross margin for the three months ended March 31, 2014 and 2013 was $28,000 and $125,000, respectively. Costs were higher during the three months ended March 31, 2014 due to the majority of revenues being service income.

Operating Expenses **-** Operating expenses for the three months ended March 31, 2014 were $713,000 compared to $894,000 for the three months ended March 31, 2013.

The Company recorded $102,000 in research and development costs during the three months ended March 31, 2014, compared to $228,000 for the three months ended March 31, 2013. Research and development costs for the three months ended March 31, 2014 included mostly payroll, contract labor and consulting fees for Attrius® software and the PosiRx™ development. In addition, the Company has research and development costs related to the radiopharmaceutical facility to prepare it for regulatory approvals and production. The Company intends to continue to support research and development in software, radiopharmaceutical products and automated devices.

Sales and marketing expense for the three months ended March 31, 2014 and 2013 were $46,000 and $99,000, respectively and were lower in 2014 due to the Company's efforts to limit expenditures. Sales and marketing expenses for the three months ended March 31, 2014 and 2013 are mostly comprised of salaries and consulting fees.

General and administrative expenses during the three months ended March 31, 2014 were $565,000 as compared to $567,000 for the three months ended March 31, 2013.

***Other Income (Expenses)* -** Interest expense was $396,000 for the three months ended March 31, 2014 and includes the $381,000 for the accretion of the convertible debentures discount and $15,000 for interest payable on the debt. Interest expense was $493,000 for the three months ended March 31, 2013 and includes the $450,000 for the accretion of the convertible debentures discount and $43,000 for interest payable on the debt.

During the three months ended March 31, 2014 and 2013, the Company also recorded derivate gain of $220,000 and $61,000, respectively, in connection with the embedded conversion derivative liabilities related to convertible debt.

Liquidity and Capital Resources

At March 31, 2014, the Company had current assets of $1,931,000 and current liabilities of $8,404,000 compared to December 31, 2013 when the Company had current assets of $2,573,000 and current liabilities of $14,657,000. Total assets at March 31, 2014 were $3,206,000 compared to $3,882,000 at December 31, 2013. Total liabilities were $15,308,000 and $15,123,000 at March 31, 2014 and December 31, 2013, respectively.

Cash and cash equivalents at March 31, 2014 were $1,178,000 compared to $1,744,000 at December 31, 2013. Accounts receivable was $248,000 at March 31, 2014 compared to $247,000 at December 31, 2013.

Current liabilities include accounts payable and accrued expenses of $1,089,000 and $1,401,000 as of March 31, 2014 and December 31, 2013, respectively.

Net cash used in operating activities was $695,000 and $740,000 for the three months ended March 31, 2014 and 2013, respectively.

Net cash used in investing activities were $2,000 and $1,000 for the three months ended March 31, 2014 and 2013, respectively.

Net cash provided by financing activities was $131,000 and $538,000 for the three months ended March 31, 2014 and 2013, respectively.

The Company's ability to achieve its objectives is dependent on its ability to sustain and enhance its revenue stream and to continue to raise funds through loans, credit and the private placement of restricted securities until such time as the Company achieves profitability. To date, management has been successful in raising cash on an as-needed basis for the continued operations of the Company. There is no guarantee that management will be able to continue to raise needed cash in this fashion.

The report of the Company’s independent public accountants, which accompanied the financial statements for the year ended December 31, 2013, was qualified with respect to the ability of the Company to continue as a going concern. If the Company is unable to obtain debt or equity financing to meet its ongoing cash needs, it may have to limit or disregard portions of its business plans

The Company has no material commitments for capital expenditures at this time. The Company has no “off balance sheet” source of liquidity arrangements.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of disclosure controls and procedures, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) were not effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the

rules and forms of the SEC and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. As reported in our Annual Report on Form 10-K for the year ended December 31, 2013, the Company's CEO and CFO have determined that there is a material weakness in our disclosure controls and procedures.

The Company intends to enhance its process for classifying and categorizing transactions by examining all transactions on a monthly basis and communicating such transaction classifications to the Company's accountants who prepare the Company's filings.

The material weakness in our disclosure control procedures are as follows:

Audit Committee and Financial Expert. The Company does not have a formal audit committee with a financial expert, and thus the Company lacks the board oversight role within the financial reporting process.

The Company intends to form an Audit Committee that will establish policies and procedures that will provide the Board of Directors a formal review process that will among other things, assure that management controls and procedures are in place and being maintained consistently. The Company anticipates that this action will remediate the related material weakness.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

On June 8, 2012, the owner of the radiopharmaceutical manufacturing facility the Company formerly leased in Crown Point, Indiana commenced an action to recover the use of the premises and the remaining rent due under the lease. On November 14, 2012, the owner was awarded a judgment against the Company in the amount of $85,525.98 plus interest at the rate of 8%. The Company and the owner agreed to monthly payments in the minimum amount of $5,000 until the judgment is paid in its entirety.

In May, 2013, the Company was served with a First Amended Complaint in an action commenced against its CEO and principal shareholder. The plaintiff in the action is seeking to enforce a judgment against the CEO and principal shareholder and is seeking to have the Company’s Westmont, Illinois offices, which it purchased from the CEO, reconveyed. The action is currently in the discovery stage.

From time to time, we are a party to legal proceedings arising in the ordinary course of business. We are not currently a party to any other legal proceedings that we believe could have a material adverse effect on financial condition or results of operations.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5 – OTHER INFORMATION

On April 17, 2014, the Company effectuated its previously disclosed recapitalization by amending its Certificate of Formation to increase the number of its authorized shares of capital stock to 6,000,000,000 shares of Common Stock, par value $0.0001 per share, and 50,000,000 shares of preferred stock, par value $0.0001 per share. The Company has elected not to pursue its planned domicile change to a Delaware corporation.

In May 2014, the Company issued an aggregate of 2,267,524,440 shares of Common Stock. 2,015,524,440 shares were issued as a result of conversions of convertible promissory notes in the original aggregate amount of $5,629,450, an aggregate of 2,000,000 shares from to the conversion of 20,000 shares the Company’s Series B Convertible Preferred Stock into Common Stock and 250,000,000 shares from the conversion of 25,000 of the Company’s Series S Convertible Redeemable Preferred Stock.

Unless noted above, the sales of the securities identified above were made pursuant to privately negotiated transactions that did not involve a public offering of securities and, accordingly, we believe that these transactions were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and rules promulgated there under. Each of the above-referenced investors in our stock represented to us in connection with their investment that they were "accredited investors" (as defined by Rule 501 under the Securities Act) and were acquiring the shares for investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The investors received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

ITEM 6 – EXHIBITS

Exhibit	Description of the Exhibit
31.1	Chairman of the Board Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chairman of the Board Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	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.

SIGNATURES

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

POSITRON CORPORATION

Date: December 12, 2014 /s/ Joseph G. Oliverio
Joseph G. Oliverio
President and Chairman of the Board
(Principal Executive Officer)

Date: December 12, 2014 /s/ Corey Conn
Corey Conn
Chief Financial Officer
(Principal Accounting Officer)

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