

Edgar Filing: POSITRON CORP - Form 10QSB

POSITRON CORPORATION

TABLE OF CONTENTS

FORM 10-QSB FOR THE QUARTER ENDED SEPTEMBER 30, 2003

	PAGE

PART I - FINANCIAL INFORMATION	
Item 1. Condensed Financial Statements	
Condensed Balance Sheet as of September 30, 2003	3
Condensed Statements of Operations for the three and nine months ended September 30, 2003 and 2002	4
Condensed Statements of Cash Flows for the nine months ended September 30, 2003 and 2002	5
Selected Notes to Condensed Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	10
Item 3. Controls and Procedures	12
PART II - OTHER INFORMATION	12
Item 1. Legal Proceedings	
Item 2. Changes in Securities and Use of Proceeds	
Item 3. Defaults Upon Senior Securities	
Item 4. Submission of Matters to a Vote of Security Holders	
Item 5. Other Information	
Item 6. Exhibits and Reports on Form 8-K	
Signature Page	14

Edgar Filing: POSITRON CORP - Form 10QSB

FORM 10-QSB

SEPTEMBER 30, 2003

=====

POSITRON CORPORATION
 CONDENSED BALANCE SHEET
 SEPTEMBER 30, 2003
 (IN THOUSANDS, EXCEPT SHARE DATA)
 (UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 36
Accounts receivable, net	104
Inventories	1,264
Prepaid expenses	35
Other current assets	31

Total current assets 1,470

Property and equipment, net 243

Total assets \$ 1,713

=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable, trade and accrued liabilities	\$ 1,723
Customer deposits	140
Unearned revenue	35
Current portion of capital lease obligation	8

Total current liabilities 1,906

Stockholders' equity (deficit):

Series A Preferred Stock: \$1.00 par value; 8% cumulative, convertible, redeemable; 5,450,000 shares authorized; 510,219 shares issued and outstanding	510
Common Stock: \$0.01 par value; 100,000,000 shares authorized; 53,245,959 shares issued and 53,185,803 shares outstanding	532
Additional paid-in capital	55,183
Subscription receivable	(30)
Accumulated deficit	(56,373)
Treasury Stock: 60,156 shares at cost	(15)

Total stockholders' equity (deficit) (193)

Total liabilities and stockholders' equity \$ 1,713

=====

See accompanying notes

FORM 10-QSB

SEPTEMBER 30, 2003

POSITRON CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002
Revenues:				
System sales	\$ 34	\$ --	\$ 3,459	\$ 3,319
Upgrades	--	--	265	--
Service and component	342	333	1,020	994
Total revenues	376	333	4,744	4,313
Costs of sales and services:				
System sales	155	--	3,171	3,272
Upgrades	--	--	95	--
Service, warranty and component	173	136	517	437
Total costs of sales and services	328	136	3,783	3,709
Gross profit	48	197	961	604
Operating expenses:				
Research and development	168	272	620	804
Selling and marketing	101	95	277	337
General and administrative	332	459	1,046	1,307
Total operating expenses	601	826	1,943	2,448
Loss from operations	(553)	(629)	(982)	(1,844)
Other income (expense)				
Gain on sale of Cardiac PET Software	--	--	2,376	--
Interest income	--	--	--	2
Interest expense	--	(52)	(100)	(259)
Deposit forfeiture	--	--	--	50

Edgar Filing: POSITRON CORP - Form 10QSB

Total other income (expense)	-----	-----	-----	-----
	--	(52)	2,276	(207)
Net income (loss)	=====	=====	=====	=====
	\$ (553)	\$ (681)	\$ 1,294	\$ (2,051)
Basic and diluted income (loss) per common share	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.03)
Weighted average number of shares outstanding				
Basic	53,179	62,173	59,109	62,173
Diluted	53,179	62,173	60,586	62,173

See accompanying notes

4

FORM 10-QSB

SEPTEMBER 30, 2003

POSITRON CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended	
	Sept. 30, 2003	Sept. 30, 2002
Cash flows from operating activities:		
Net income (loss)	\$ 1,294	\$ (2,051)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation	65	69
Amortization	--	100
Gain on sale of Cardiac PET Software	(2,376)	--
Changes in operating assets and liabilities:		
Accounts receivable	975	(81)
Inventory	2,020	1,633
Prepaid expenses	48	28
Other current assets	52	45
Accounts payable and accrued liabilities	272	32
Customer deposits	(2,248)	(42)
Unearned revenue	(143)	(254)

Edgar Filing: POSITRON CORP - Form 10QSB

Net cash used in operating activities	(41)	(521)
Cash flows from investing activities:		
Capital expenditures	(5)	(7)
	-----	-----
Net cash used in investing activities	(5)	(7)
Cash flows from financing activities:		
Repayment of capital lease obligation	(25)	(29)
	-----	-----
Net cash used in financing activities	(25)	(29)
	-----	-----
Net decrease in cash and cash equivalents	(71)	(557)
Cash and cash equivalents, beginning of period	107	635
	-----	-----
Cash and cash equivalents, end of period	\$ 36	\$ 78
	=====	=====

See accompanying notes

5

FORM 10-QSB

SEPTEMBER 30, 2003

POSITRON CORPORATION
SELECTED NOTES TO CONDENSED FINANCIAL STATEMENTS

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 Form 10-KSB for Positron Corporation (the "Company") for the year ended December 31, 2002. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations 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, 2002, as reported in the Form 10-KSB, have been omitted.

Certain prior period amounts have been reclassified to conform to current

Edgar Filing: POSITRON CORP - Form 10QSB

period presentation.

2. ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenues from POSICAMTM system contracts are recognized when all significant costs have been incurred and the system has been shipped to the customer. The Company also recognizes revenue on bill and hold transactions when the product is completed and is ready to be shipped and the risk of loss is transferred to the customer. In certain cases, at the customers' request, the Company is storing the product for a brief period of time. Revenues from maintenance contracts are recognized over the term of the contract. Service revenues are recognized upon performance of the services.

3. SALE OF CARDIAC PET SOFTWARE

The Company entered into a loan arrangement on June 29, 2001 with Imatron Inc. ("Imatron"), a stockholder of the Company, for the purpose of borrowing up to \$2,000,000 to fund operating activities. This loan was collateralized by substantially all the assets of the Company. Interest was charged on the outstanding principal balance at an annual rate of 10% and was payable monthly. As of June 29, 2003 the principal balance of the loan was \$2,000,000. Principal on the loan amounting to \$1,000,000 and \$500,000 was to be repaid within five (5) business days of December 31, 2001 and March 31, 2002, respectively. The remaining \$500,000 of loan principal and all unpaid interest was due and payable no later than June 30, 2002.

In conjunction with the loan, the Company granted Imatron warrants to purchase 6,000,000 shares of common stock, at an exercise price of \$.30 per share that were exercisable through June 30, 2006. The warrants issued to Imatron had an approximate value of \$200,000 at the date of issue. Such cost was treated as a loan origination cost and amortized to expense over the twelve-month term of the note payable, using the effective interest method.

Imatron had previously acquired 9,000,000 shares of the Company's common stock on January 22, 1999. General Electric Company ("GE") acquired Imatron on December 19, 2001.

Effective June 29, 2003, the Company entered into a Technology Purchase Agreement to transfer its Cardiac PET Software to GE in exchange for cancellation of the indebtedness under this loan and the surrender of the 9,000,000 shares of common stock and the warrant to purchase 6,000,000 shares of common stock. The Company recognized a gain of \$2,376,000 related to the sale of this technology. This gain resulted from the cancellation of the Company's obligation for \$2,000,000 in principal and accrued interest of \$376,000 under the loan. The Company's future commitment to provide

=====

=====

assistance to GE for the purpose of fully utilizing and exploiting this technology, as well as the compensation for these services, were provided

Edgar Filing: POSITRON CORP - Form 10QSB

for in a separate service agreement discussed below.

As part of the transactions contemplated by the Technology Purchase Agreement, the Company entered into a Software License Agreement. Pursuant to terms of the Software License Agreement, the Company received an irrevocable license from GE to continue using, modifying, distributing and otherwise exploiting the Cardiac PET Software in perpetuity.

In conjunction with the Technology Purchase Agreement, the Company also entered into an Agreement For Services for the purpose of assisting GE in fully utilizing and exploiting the Cardiac PET Software. The Company agreed to provide services for a period of six quarters (eighteen months) for a fee of \$50,000 per each 3-month period during the term of this agreement. GE committed to pay the fee for the first two quarters of \$50,000 (total of \$100,000) within two business days of the July 29, 2003 and will make payment of any subsequent quarters in advance of such quarter. GE may terminate the Agreement For Services at any time after it has paid the fees for at least four quarters.

4. INVENTORIES

Inventories at September 30, 2003 consisted of the following (in thousands):

Raw materials	\$ 949
Work in progress	415

Subtotal	1,364
Less reserve for obsolescence	(100)

Total	\$1,264
	=====

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2003 consisted of the following (in thousands):

Trade accounts payable	\$ 485
Accrued royalties	308
Accrued property taxes	293
Accrued professional fees	180
Accrued compensation	145
Sales taxes payable	130
Accrued rent	97
Accrued warranty costs	60
Other accrued liabilities	25

Total	\$1,723
	=====

Edgar Filing: POSITRON CORP - Form 10QSB

6. EARNINGS PER SHARE

Basic earnings per common share are 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 and nine month periods ended September 30, 2002 and the three month period ended September 30, 2003, since it would have resulted in an antidilutive effect.

7

FORM 10-QSB

SEPTEMBER 30, 2003
=====

The following table sets forth the computation of basic and diluted earnings per share.

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002
	-----	-----	-----	-----
	(In Thousands, except per share data)			
Numerator				
Basic and diluted income (loss)	\$ (553)	\$ (681)	\$ 1,294	\$ (2,000)
Denominator				
Denominator for basic earnings per share- weighted average shares	53,179	62,173	59,109	62,173
Effect of dilutive securities				
Convertible Series A Preferred Stock	--	--	510	
Stock Warrants	--	--	776	
Stock Options	--	--	191	
	-----	-----	-----	-----
Denominator for diluted earnings per share- adjusted weighted average shares and assumed conversions	53,179	62,173	60,586	62,173
	=====	=====	=====	=====
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.03)

Edgar Filing: POSITRON CORP - Form 10QSB

7. LITIGATION

PROFUTURES CAPITAL BRIDGE FUND, L.P.

On September 26, 2000, ProFutures Bridge Capital Fund, L.P. ("ProFutures") filed a complaint against the Company in Colorado state court for declaratory relief and breach of contract (the "Complaint"). The Complaint alleged that the Company breached four stock purchase warrants issued to ProFutures on the basis that the Company failed to notify ProFutures of dilutive events and failed to register the full number of shares ProFutures was allegedly entitled to purchase under the warrants when, on February 14, 2000, the Company registered 1,500,000 shares of stock underlying ProFutures' warrants instead of 4,867,571. The Complaint further alleged that the Company's issuance of shares of common stock to Imatron, Inc. on or about January 22, 1999, (the "Imatron Transaction") was a dilutive event pursuant to the anti-dilution provisions contained in the four stock purchase warrants. The Complaint sought declarations that the consideration received by the Company in the Imatron Transaction increased the number of shares issuable under the warrants, the Company breached the warrants by failing to notify ProFutures of the Imatron Transaction and its effect on ProFutures' warrants at the time of the Imatron Transaction and that the Company further breached the warrants by failing to register the number of shares ProFutures alleged were purchasable under its warrants. The Complaint sought an unspecified amount of monetary damages.

The Colorado State level case of ProFutures v. Positron, District Court, City and County of Denver, Colorado, Case No. 00CV7146, was tried before the Court in June 2002. The Court issued its Findings of Fact, Conclusions of Law and Judgment on November 13, 2002. The Court agreed with Positron's determination of the value of the consideration paid for the shares issued to Imatron and that there was no evidence of fraud by Positron. The Court agreed with ProFutures that Positron breached the 1996 stock purchase warrant with ProFutures by failing to give ProFutures written notice stating the adjusted exercise price and the new number of shares deliverable as a result of the Imatron Transaction and by failing to register the shares to which ProFutures was entitled under the warrant as a result of the Imatron Transaction. Nevertheless, the Court also found that ProFutures' alleged damages were uncertain and speculative and that ProFutures was not entitled to recover actual damages. Therefore ProFutures was awarded \$1 in nominal damages.

=====

=====

ProFutures has appealed the trial Court's findings and Positron has cross-appealed. Those appeals are presently pending before the Court of Appeals, State of Colorado.

In the federal case of ProFutures v. Positron, et al., United States District Court for the District of Colorado, Case No. 02-N-0154, the Complaint alleged two causes of action against the Company: fraudulent transfer and injunctive relief. The allegations arose out of a June 2001 loan agreement between Positron and Imatron. The action was dismissed in 2002 without prejudice.

CHINA XINXING

In July 2001 and February 2002, the Company received demands from China

Edgar Filing: POSITRON CORP - Form 10QSB

Xinxing Shanghai Import and Export Company ("China Xinxing"), a company located in Shanghai, China, for payment of an arbitration award in favor of China Xinxing and against the Company, in the total amount of approximately \$297,000. The award was rendered on or about August 25, 2000 by arbitrators affiliated with the Shanghai Sub-commission of the China International Economic and Trade Arbitration Commission (CIETAC Case No. SM9872, Award No. (2000) HMZZ 1154). The award represents the amount of a refund (together with arbitration costs) of an advance payment made by China Xinxing under a contract with the Company dated September 12, 1996. In August 2002, China Xinxing filed suit in the United States to obtain confirmation and enforcement of the award.

The Company entered into a Settlement Agreement and Release with China Xinxing in November 2002. The Company was obligated to pay the \$297,000 obligation in five periodic monthly installments of \$50,000 beginning in November 2002, with a sixth final payment of approximately \$47,000 due in March 2003. The Company has paid all six installments, and China Xinxing has executed a Satisfaction of Judgment reflecting satisfaction all of the Company's obligations under the award, the Judgment entered on the award, and the Settlement Agreement.

10P10, L.P.

In December 2001, 10P10, L.P., the Company's previous landlord for its premises located at 16350 Park Ten Place, Suite 150, Houston, Texas, filed a complaint (Cause No. 2001-65534 in the 165th Judicial District Court of Harris County, Texas) against the Company alleging breach of lease agreement. The Company disputes the amount of lease commissions and construction costs charged by 10P10, L.P. in conjunction with the subleasing of the premises. Although 10P10, L.P. asserted a claim in excess of \$150,000, a subsequent analysis of the transactions under the lease has resulted in the reduction of the lease obligation alleged by 10P10, L.P. to approximately \$97,000. Although the Company disputes the amount of the claim, due to the pending lawsuit, Company management has recorded \$97,000 as an accrued liability as of September 30, 2003. Although the case is set for trial on a two week docket beginning November 10, 2003, the Company has requested a continuance of the trial setting until February 2004.

8. SUPPLEMENTAL CASH FLOW DATA

	Three Months Ended		Nine Months Ended	
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2003	2002	2003	2002
	-----	-----	-----	-----

Supplemental disclosure of cash flow information (In thousands):

Cash paid for interest	\$	1	\$	2	\$	2	\$	9
Cash paid for income taxes	\$	--	\$	--	\$	--	\$	--

=====

Edgar Filing: POSITRON CORP - Form 10QSB

FORM 10-QSB

SEPTEMBER 30, 2003

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

We are including the following cautionary statement in this Quarterly Report on Form 10-QSB 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.

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

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

We realized a loss of \$553,000 during the three months ended September 30, 2003 compared to a loss of \$681,000 for the same quarter in 2002.

We did not sell any systems during the quarters ended September 30, 2003 and 2002. Revenues from system sales in the quarter ended September 30, 2003 included a \$34,000 increase in the contract price for a system that was sold in a prior period. Our service revenues increased \$9,000 to \$342,000 in the three months ended September 30, 2003 from \$333,000 in the same period in 2002. Service revenues in the quarter ended September 30, 2003 included the recognition of \$50,000 in fees relating to support provided to GE Medical Systems in conjunction with the purchase of the Cardiac PET Software.

We generated gross profits of \$48,000 during the three months ended September 30, 2003 compared to \$197,000 in gross profits for the same three months in 2002. We recognized \$34,000 in revenues from system sales in the three month period ended September 30, 2003, offset by \$155,000 in expenses related to manufacturing labor, equipment and overhead. We earned profits of \$169,000 from services in the third quarter of 2003, compared to profits of \$197,000 from services in the same quarter in 2002.

Our operating expenses decreased \$225,000 to \$601,000 for the three months ended September 30, 2003 from \$826,000 for the same period in 2002. Research and development expenses declined \$104,000 to \$168,000 from \$272,000 primarily due to lower payroll costs and a reduction in the use of outside consultants. Legal fees decreased \$106,000 to \$41,000 in the quarter ended September 30, 2003 from \$147,000 in the same period in 2002, as a result of a reduction in activities associated with litigation.

Interest expense decreased to a nominal amount in the quarter ended September 30, 2003, as a result of the cancellation of the indebtedness to Imatron effective June 29, 2003. Interest expense of \$52,000 in the third quarter of 2002 was primarily attributable to the indebtedness to Imatron.

Edgar Filing: POSITRON CORP - Form 10QSB

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30,

2003 AND 2002

We earned income of \$1,294,000 in the nine months ended September 30, 2003 compared to a loss of \$2,051,000 during the same period in 2002. We earned income in the first nine months of 2003 primarily as a result of the \$2,376,000 gain related to the sale of the Cardiac PET Software.

We generated revenues of \$3,459,000 on the sale of three systems during the nine month period ended September 30, 2003. This compares to revenues of \$3,319,000 from the sale of three systems in the same period in 2002. We earned revenues of \$265,000 from upgrades of systems in the nine month period ended September 30, 2003 compared to no revenues from system upgrades in the same nine month period in the previous year. Our service revenues increased \$26,000 to \$1,020,000 in the nine months ended September 30, 2003 from \$994,000 in the same period in 2002. Service revenues in the nine month period ended September 30, 2003 included the recognition of \$50,000 in fees relating to support provided to GE Medical Systems in conjunction with the purchase of the Cardiac PET Software.
=====

10

FORM 10-QSB SEPTEMBER 30, 2003
=====

We generated gross profits of \$961,000 during the nine months ended September 30, 2003 compared to \$604,000 for the same period in 2002. We earned profits of \$554,000 from the sale of three systems, \$170,000 from upgrades of systems and \$503,000 from service in the first nine months of 2003, offset by \$266,000 in expense related to manufacturing labor and overhead. This compares to profits of \$47,000 from the sale of three systems and \$557,000 from service in the same period in 2002.

Our operating expenses decreased \$505,000 to \$1,943,000 for the nine months ended September 30, 2003 from \$2,448,000 for the same period in 2002. Research and development expenses declined \$184,000 to \$620,000 from \$804,000 primarily due to lower payroll costs and a reduction in the use of outside consultants. Sales and marketing expenses decreased \$60,000 to \$277,000 from \$337,000 as a result of lower payroll, travel and advertising costs. General and administrative expenses decreased \$261,000 to \$1,046,000 in the nine month period ended September 30, 2003 from \$1,307,000 during the same period in the prior year. This decrease in general and administrative expenses was primarily the result of the reduction in legal fees by \$437,000. This decrease was partially offset by a \$123,000 reduction in the amount of rent credits earned relating to the obligation on the abandoned lease space.

Interest expense decreased \$159,000 to \$100,000 in the nine month period ended September 30, 2003 from \$259,000 for the same period in 2002. Interest charged on the loan obligation to Imatron amounted to \$100,000 and \$150,000 during the nine month periods ended September 30, 2003 and 2002, respectively. Interest expense in the nine month period ended September 30, 2002 also included \$100,000 of loan cost amortization.

We recognized a gain of \$2,376,000 on the sale of our Cardiac PET Software in the nine month period ended September 30, 2003.

Edgar Filing: POSITRON CORP - Form 10QSB

FINANCIAL CONDITION

We had cash and cash equivalents of \$36,000 and accounts receivable of \$104,000 on September 30, 2003. On the same date, we had accounts payable and accrued liabilities outstanding of \$1,723,000. We did not sell any imaging systems in the third quarter of 2003. In order to resolve our liquidity problems, we must sell imaging systems or seek alternative sources of debt or equity funding. However, there is no assurance that we will be successful in selling new systems or securing additional debt or equity funds.

Since inception, we have been unable to sell our POSICAMTM systems in quantities sufficient to be operationally profitable. Consequently, we have sustained substantial losses. Due to the sizable selling prices of our systems and the limited number of systems sold or placed into service each year, revenues have fluctuated significantly from year to year. We have an accumulated deficit of \$56,373,000 at September 30, 2003. The Company will need to increase system sales to achieve continued profitability.

These events raise doubt as to our ability to continue as a going concern. The report of our independent public accountants, which accompanied our financial statements for the year ended December 31, 2002, was qualified with respect to that risk. If we are unable to obtain debt or equity financing to meet our cash needs we may have to severely limit or cease our business activities or may seek protection from our creditors under the bankruptcy laws.

NEW ACCOUNTING PRONOUNCEMENTS

Please refer to the Annual Report Form 10-KSB for the year ended December 31, 2002 and the Quarterly Report Form 10-QSB for the quarterly period ended June 30, 2003 for disclosures regarding the Company's treatment of new accounting pronouncements.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenues from POSICAMTM system contracts are recognized when all significant costs have been incurred and the system has been shipped to the customer. The Company also recognizes revenue on

bill and hold transactions when the product is completed and is ready to be shipped and the risk of loss is transferred to the customer. In certain cases, at the customers' request, the Company is storing the product for a brief period of time. Revenues from maintenance contracts are recognized over the term of the contract. Service revenues are recognized upon performance of the services.

ITEM 3 - CONTROLS AND PROCEDURES

As of September 30, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including

Edgar Filing: POSITRON CORP - Form 10QSB

the Company's Chairman of the Board of Directors and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e)). Based upon that evaluation, the Company's Chairman of the Board of Directors and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable level in timely alerting them to material information relating to the Company that is required to be included in the Company's periodic filings with the Securities and Exchange Commission. There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Chairman of the Board of Directors and Chief Financial Officer, do not expect that the Company's disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met due to numerous factors, ranging from errors to conscious acts of an individual, or individuals acting together. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error and/or fraud may occur and not be detected.

PART II OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The information regarding legal proceedings set forth above under Part I - Financial Information, Note 7 to the Condensed Financial Statements, is hereby incorporated by reference into Part II, Item 1 - Legal Proceedings.

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

=====

=====

Edgar Filing: POSITRON CORP - Form 10QSB

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

(b) Reports on Form 8-K

On July 14, 2003, the Company filed a current report on Form 8-K for the purpose of reporting under Item 2 thereof the cancellation of a \$2,000,000 note and other obligations in exchange for sale of the Cardiac PET Software to General Electric Company and for the purpose of reporting under Item 5 thereof the resignation of Michael Golden and the appointment of Gary Brooks as the Company's Chief Financial Officer.

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
(Registrant)

Date: November 14, 2003

/s/ Gary H. Brooks

Gary H. Brooks
Chairman, CEO, & CFO

EXHIBIT INDEX

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