POSITRON CORP
Form 10-K
March 31, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE YEAR ENDED December 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: (317) 576-0183

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $0.0001 par value.

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 aggregate market value of voting common stock held by non-affiliates of the registrant (assuming, for purposes of this calculation, without conceding, that all executive officers and directors are “affiliates”) was $34,296,570 as of June 30, 2014, based on the closing sale price of such common stock as reported on the OTC Bulletin Board.

There were 5,709,834,011 shares of the registrant’s common stock, par value $0.0001 per share, outstanding as of March 27, 2015.

POSITRON CORPORATION

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PART I

Forward-Looking Statements

This report contains various forward-looking statements regarding our business, financial condition, results of operations and future plans and projects. Forward-looking statements discuss matters that are not historical facts and can be identified by the use of words such as "believes," "expects," "anticipates," "intends," "estimates," "projects," "can," "could," "may," "will," "would" or similar expressions. In this report, for example, we make forward-looking statements regarding, among other things, our expectations about the rate of revenue growth in specific business segments and the reasons for that growth and our profitability, our expectations regarding an increase in sales, strategic traction and sales and marketing spending, uncertainties relating to our ability to compete, uncertainties relating to our ability to increase our market share, changes in coverage and reimbursement policies of third-party payers and the effect on our ability to sell our products and services, the existence and likelihood of strategic acquisitions and our ability to timely develop new products or services that will be accepted by the market.

Although these forward-looking statements reflect the good faith judgment of our management, such statements can only be based upon facts and factors currently known to us. Forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. As a result, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the caption "Risk Factors." For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they were made. They give our expectations regarding the future but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

ITEM 1. Business

Organization

Positron Corporation (the "Company" or "Positron") was incorporated under the laws of the State of Texas in 1983. Unless the context requires otherwise, in this report the terms "we," "us", "our", "the Company", and Positron refer to Positron Corporation.

Nature of Business

Positron Corporation is a nuclear medicine healthcare company specializing in the field of cardiac Positron Emission Tomography (PET) imaging - the gold standard diagnostic test in nuclear cardiology.

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 intends to provide an economical, end-to-end solution for PET myocardial perfusion imaging through complementary product integration of PET imaging systems, radiopharmaceuticals and radioisotopes.

Our mission is to facilitate the stabilization, security and growth of the cardiac PET industry by providing cardiologists with: an economical, high-quality, PET imaging system; a reliable supply of radiopharmaceuticals for imaging procedures, and a comprehensive clinical, technical, support and service program.

Corporate History

Positron Corporation was incorporated as a Texas corporation in 1983 with its corporate offices in Westmont, Illinois, and other facilities in Lubbock, Texas and Niagara, New York.

On June 30, 2005, the Company entered into a Joint Venture Contract with Neusoft Medical Systems Co., Inc. of Shenyang, in the People's Republic of China ("Neusoft"). Pursuant to the Joint Venture Contract, the parties formed a jointly-owned company, Neusoft Positron Medical Systems Co., Ltd. (the “JV Company”), to engage in the manufacturing of PET and PET/CT medical imaging equipment. The JV Company received its business license and was organized in September 2005. Positron currently holds a 1% interest in the JV Company.

On January 17, 2012, the Company acquired all of the membership interests and retained all employees of Manhattan Isotope Technology, LLC ("MIT") based in Lubbock, Texas. In exchange, MIT's previous owners shall receive cash advances, shares of Positron Common Stock, the assumption of certain indebtedness and earnout consideration of up to $3,500,000 based on 20 percent of the net income from sales relating to radioisotope and radiopharmaceutical operations of MIT through December 31, 2018. MIT is the only commercial resource in the United States with practical knowledge and experience in all stages of strontium-82 (Sr-82) production and spent generator lifecycle management. Positron will focus on increasing Sr-82 supply through the processing of proton irradiated target material from domestic and foreign suppliers and recycling Sr-82 from spent generators. MIT has become the first supplier to provide Active Pharmaceutical Ingredient (API) grade Sr-82 in the U.S. besides the United States Department of Energy. In an effort to expand Positron's radioisotope product offerings, MIT possesses the unique and specialized expertise in the production of additional radioisotopes that are currently only supplied by the U.S. Government.

On June 27, 2011, the Company formed Positron Isotope Corporation, a wholly-owned subsidiary, for the development of a cyclotron for the manufacture of isotopes to be used for commercial use and resale.

On June 26, 2014, the Company formed C70 Isotopes, Inc., a Texas corporation and wholly-owned subsidiary ("C70"). On July 11, 2014 the Company entered into a non-binding Memorandum of Agreement ("MOA") with a large university located in Texas to develop and operate a 70 megavolt cyclotron facility dedicated to the manufacture of isotopes including research and development and other cyclotron related services. The location of the facility would be on property associated with the university.

The Company

Positron, a pioneer in cardiac PET, is well branded in the field of nuclear cardiology. 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 has expanded from a medical imaging device manufacturing to a company which is integrating the key components of the cardiac PET supply chain to offer an end-to-end solution for the nuclear cardiology market. Led by an experienced management team, Positron is moving towards becoming a true business enterprise with strong recurring revenue generating business model scalable to the global marketplace.

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 and leading to further adoption and growth of the cardiac PET modality.

Positron, through an acquisition of MIT, is the only commercial resource in the U.S. with practical knowledge and experience in all stages of Strontium-82 (Sr-82) production and spent generator lifecycle management. Positron seeks to secure both the 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 Sr-82 received from foreign irradiated source suppliers. The Company intends to further supplement strontium resources by pursuing additional supply agreements with all available domestic and foreign irradiated source suppliers and through 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 world's 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 a reliable supply of radioisotopes should also increase the demand for Positron's complementary products: pharmaceuticals, imaging equipment and services.

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

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 one to five years.

Radiopharmaceuticals: Manufacturing, Processing & Distribution

Positron intends to couple an Sr-82/Rb-82 generator, or other radiopharmaceuticals used in cardiac PET, with 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 use volumes, in the U.S. and abroad. With PosiRx, Positron intends to exploit possibilities existing in the SPECT and PET imaging industry and pharmaceutical markets for cardiology, neurology and oncology.

Radioisotopes: Production & Distribution

Positron has registered its Drug Master File (DMF) for API grade Sr-82 with the FDA. Positron believes it 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. Positron has the ability to produce API grade strontium-82 from target material received from its foreign collaborators.

Positron plans to build and operate a 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. Positron seeks to secure the supply of radioisotopes used in cardiac PET imaging therefore stabilizing and building confidence in the market. Securing a reliable supply of radioisotopes will increase demand for Positron's pharmaceuticals, imaging equipment and services provided to nuclear medicine practices.

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

Market Opportunity

Molecular Imaging Devices for Cardiology

According to American Heart Association, more than one out of every three (83 million) U.S. adults currently lives with one or more types of cardiovascular disease (CVD). CVD 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, and indirect costs (due to lost productivity) – from $172 billion in 2010 to $276 billion in 2030.

Diagnostic imaging facilitates the early diagnosis of diseases and disorders, potentially minimizing the scope, cost and amount of care required, and potentially reducing the need for more invasive procedures. Nuclear imaging uses very low-level radioactive material, called radiopharmaceuticals, injected into a patient. The radiopharmaceuticals are specially formulated to concentrate temporarily in the specific part of the body to be studied. The radiation signals emitted by the materials are then converted into an image of the body part or organ. Nuclear imaging, in contrast to other diagnostic imaging modalities, shows not only the anatomy or structure of an organ or body part, but also its function—including blood flow, organ function, metabolic activity and biochemical activity. In cardiology, nuclear medicine provides the most accurate non-invasive tests for identifying narrowed coronary arteries, mild cholesterol build-up or diffuse coronary vascular disease that are responsible for most heart attacks. Management of coronary disease (CAD) currently utilizes noninvasive diagnostic testing as a ‘‘gatekeeper’’ and invasive coronary arteriography, when results are abnormal, to provide a definitive diagnosis of CAD. There are two major modalities in nuclear medicine imaging - Single Photon Emission Computed Tomography (SPECT) and Positron Emission Tomography (PET) - both of which are used for cardiovascular procedures. The most widely used imaging acquisition technology utilizing gamma cameras is SPECT.

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Though PET tests are much more accurate and has been shown to reduce long-term costs, the nuclear cardiology imaging has been dominated by SPECT. This imbalance is a result of lower prices of SPECT cameras and decades long preferable reimbursement rates for cardiac SPECT procedures. The Company believes that recent dynamic market changes, including the dramatic increase of reimbursement rates for cardiac PET procedures, SPECT reimbursement cuts and the world shortage of the molybdenum-99 isotope used in cardiac SPECT, will significantly improve the economics of cardiac PET imaging and make PET technology much more competitive and appealing to cardiologists.

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 Rubidium-82 Chloride (Rb-82) or Nitrogen-13 Ammonia (N-13), result in a lower patient radiation exposure and are 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).

Based on the Company’s estimations, there were approximately 170 dedicated cardiac PET and PET/CT scanners in the U.S. in 2014 performing cardiac PET studies.

Barriers To Entry

For many years, a major constraint for the cardiac PET market has been a high cost of PET and PET/CT. Positron Corporation has managed to reduce the buyers’ barrier to entry by bringing to the market the Attrius - the only dedicated PET system in the world optimized for cardiac imaging. All other manufacturers (GE, Philips, Siemens) offer PET/CT systems at a 200% - 300% higher price but comparable performance of cardiac studies. In 2010 and 2011, Positron’s share in sales of dedicated cardiac PET scanners was 14% and 17%, respectively. While we expect this share to grow significantly in the next several years, Positron’s sales since 2011 have been negatively impacted by the shortage of Rb-82 and Sr-82. This impact was a result of an unscheduled maintenance of the United States Department of Energy (DOE) accelerator producing Sr-82, a pre-cursor to Rb-82, and by a voluntary recall of Sr-82/Rb-82 generators by Bracco Diagnostics for additional testing. Though delivery of Bracco's generators to existing clients was restored in 2013, the supply is essentially flat due to unavailability of additional Sr-82 which prevents sales of cardiac PET scanners to new clients.

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

Competitive Strengths

We believe that our Company has the following competitive strengths:

- *Well Known Name Among Cardiologists.* The high count-rate capability and sensitivity of Positron's PET systems result in excellent diagnostic accuracy, faster imaging and ability to use short half-life radiopharmaceuticals, which made Positron's PET systems a system of choice for certain cardiac applications.

- *The Only PET System on the Market.* All major PET manufacturers have discontinued manufacturing of stand-alone PET systems, offering very expensive PET combined with Computerized Tomography (PET/CT) instead. In cardiac applications, the Positron's Attrius® provides image quality comparable to PET/CT at significantly lower price. It also significantly reduces radiation exposure compared to PET/CT and even SPECT. A small footprint and affordable price makes it ideal for imaging clinics and hospitals.

- *Cardiac Specific Software.* 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.

- *Unique Automated Radiopharmaceutical System.* Positron's PosiRx® is a radiopharmaceutical system that automates the elution, preparation and dispensing processes for radiopharmaceutical agents used in molecular imaging. The PosiRx® system provides unprecedented "unit dose" flexibility to imaging providers at the touch of a button, 24/7. It was created to simplify and control the procedures associated with compounding radiopharmaceuticals. PosiRx® integrates features that increase productivity while decreasing exposure and costs.

- *The only commercial entity in the U.S. with a registered Drug Master File (DMF)* for producing Active Pharmaceutical Ingredient (API) grade Sr-82.

- *Unique Knowledge and Expertise in Sr-82 Production*. The Company is the only commercial resource in the United States with practical knowledge and experience in all stages of Sr-82 production.

- *Commercial Facility for refurbishment of Sr-82/Rb-82 generators in the U.S.* The Company's facility in Lubbock, Texas, has the capacity to provide critical services necessary for the refurbishment of spent Sr-82/Rb-82 generators.

- *Currently, the Only Commercial Source of Sr-82 in the U.S*. Using patented methods, the Company can recycle Sr-82 from spent Sr-82/Rb-82 generators at its facility in Lubbock, Texas, and process Sr-82 from foreign sources.

- *Value-Added Offering of Complimentary Products to Customers.* The addition of complementary products, such as PET imaging systems, clinical and support services, radiopharmaceutical dispensing systems, radiopharmaceuticals and radioisotopes enhances the value of the offering to Positron's customers, providing them a total solution in nuclear cardiology.

Sales and Marketing

To market its equipment and services, Positron employs an internal sales and marketing team dedicated to promote, educate and sell Positron products. Positron is also able to rely on referrals from users of its existing base of installed scanners and cameras, trade show exhibits, trade journal advertisements, clinical presentations at professional and industry conferences, and published articles in trade journals. The Company's sales personnel vary in geographic location and/or market expertise.

Positron sells and/or distributes its products and services directly to end-users.

Customer Care, Service and Warranty

Positron has implemented PosiStar, a complete customer care plan that offers full clinical support from Positron's experienced clinical and technical staff and industry luminaries that consult for the Company or are affiliated through Positron's customer network. PosiStar Customer Care provides: physician interpretation training; nurse training; billing and prior-authorization training; physician over reads; post install, 24/7 clinical and service support; priority response with after-hours maintenance/service available; uptime guarantees and software upgrades; and remote access

diagnostic/maintenance capabilities.

The Company has field service engineers who have primary responsibility for supporting and maintaining the Company's installed equipment base. In addition, the Company has field engineers involved in site planning, customer training, sales of hardware upgrades, sales and administration of service contracts, telephone technical support and customer service.

The Company services customers of our systems remotely through Internet access that facilitates real time system diagnosis without the need for a field service visit. When physical repair is required, our modular part replacement capability allows our field service engineers to perform field repairs that minimize customer downtime.

The Company typically provides a one-year parts and labor warranty to purchasers of our equipment. Following the warranty period, the Company offers purchasers a comprehensive service contract under which the Company provides all parts and labor, system software upgrades and unlimited service calls.

The Company's service goal is to maintain maximum system uptime. Success of a clinical site is largely dependent on patient volume during normal working hours and, therefore, equipment uptime and reliability are key factors in this success. Records compiled by the Company show an average uptime of more than 98% for all installed PET scanners.

Due to the Company's expertise and access to parts, we expect to service all of the PET scanners that we sell.

Competition

The Company faces no direct competition from other manufacturers of PET scanners as it offers the only commercial standalone PET scanner, Attrius. However, the Company has experienced competition from used PET and PET/CT scanners although the remaining supply of used PET and PET/CT systems is believed to be extremely low. The Company does not believe that MRI and CT scan imaging represent significant competing technologies, but potentially complementary technologies to PET, since PET, MRI and CT scans each provide information not available from the other modalities. Computed tomography angiography ("CTA") was once seen by some cardiologists to be competitive with PET myocardial perfusion imaging; however, there is an increasing public concern about a high radiation exposure of CT and, currently, there is no substantial movement into this modality.

In 2001-2002, GE, Siemens and Philips introduced PET/CT systems that combine CT scanning and PET in one unit. Since then production of standalone PET scanners have been discontinued and replaced by high priced PET/CT systems with costs much greater than Positron's Attrius PET system. PET/CT integrates functional (PET) and structural (CT) information into a single scanning session, allowing fusion of the PET and CT images and thus improving lesion localization and interpretation accuracy. The CT scan is also used for attenuation correction, ultimately leading to high patient throughput. These combined advantages have rendered PET/CT a preferred imaging modality over standalone PET except in the imaging of cardiac studies. All major PET manufacturers, except Positron, pursue the similar strategies of developing more and more sophisticated and expensive whole-body PET/CT scanners. A hospital or medical imaging clinic with a whole-body PET/CT device has flexibility of using the scanner for oncology, cardiology or neurology purposes. However, the redundancy of functions, as well as the high price and large size, has negative impact on usage of PET scanners by specialty physicians (cardiologists, neurologists, urologists, etc.).

Though PET/CT has been commercially accepted, the need for the CT technology in myocardial perfusion imaging can be debated, due to the potential of increased radiation exposure to the patient. PET/CT, compared to PET, only has a larger capital acquisition cost, more room required and more expensive ongoing service expense. Significant limitations of cardiac PET/CT are respiratory motion and metallic artifacts, which can result in artifactual PET defects in up to 40% of patients scanned, and these defects are moderate to severe in 23%. (J Nucl Med. 2007 Jul;48(7):1112-21) Interest in PET by cardiologists has increased significantly since 2009 boosted by preferable reimbursement rates and shortage of Tc-99m, a major cardiac SPECT radiopharmaceutical. Positron Corporation has been exploiting this rise of the demand by cardiologists and the lack of the supply of affordable PET systems on the market by offering its cardiac specific, standalone Attrius PET.

Currently radiopharmaceutical delivery is dominated by Cardinal Health (160 nuclear pharmacies and 26 cyclotron-based PET radiopharmaceutical manufacturing facilities), PETnet Solutions, a fully owned subsidiary of Siemens Medical Solutions USA (52 radiopharmacies and distribution centers), Triad Isotopes (63 radiopharmacies after acquiring Covidien's network and 6 cyclotrons), and GE healthcare (31 radiopharmacies). There are also approximately 73 independent radiopharmacies and 70 institutional radiopharmacies (affiliated with major medical schools).

Radiopharmaceuticals for cardiac applications are prepared in radiopharmaceutical generators, Tc-99m generators for SPECT (manufactured by Covidien and Lantheus) and Rb-82 generators for PET (Bracco Diagnostics). Rb-82 has a half-life of 75 seconds, and Rb-82 generators are delivered by Bracco directly to end users typically 13 times per year.

Tc-99m has a half-life of 6 hours, and centralized radiopharmacies use Tc-99m generators to deliver unit doses of Tc-99m based radiopharmaceuticals to customers. Centralized radiopharmacies incur very high fixed costs (approximately greater than $1.0 million per year) and freight costs (two-three times-a-day deliveries to each client) and are affected by geographical factors: clients have to be in a 75 miles proximity to the pharmacy due to a short half-life of Tc-99m. Positron Corporation's PosiRx does not have these limitations, as the radiopharmaceutical unit dose drawing devices can be placed directly into physicians' offices with once-a-week deliveries.

The Department of Energy is the only entity in the U.S. that manufactures and produces Sr-82; according to current policies, the DOE should not compete with commercial companies.

Many of our competitors enjoy competitive advantages over us, including: greater name recognition; greater financial, technical and service resources; established relationships with healthcare professionals; established distribution networks; additional lines of products and the ability to offer rebates or bundle products to offer discounts or incentives; and greater resources for product development and sales and marketing. See “Item 1. Description of Business—Risk Associated with Business Activities—Substantial Competition and Effects of Technological Change”.

Third party Reimbursement

Our customers typically rely on the Medicare and Medicaid programs and private payers for reimbursement. As a result, demand for our products is dependent in part on the coverage and reimbursement policies of these payers. Third party coverage and reimbursement is subject to extensive federal, state, local, and foreign regulation, and private payer rules and policies. In many instances, the applicable regulations, policies and rules have not been definitively interpreted by the regulatory authorities or the courts, and are open to a variety of interpretations and are subject to change without notice.

The scopes of coverage and payment policies vary among third-party private payers. For example, some payers will not reimburse a provider unless the provider has a contract with the payer, and in many instances such payers will not enter into such contracts. Other payers prohibit reimbursement unless physicians own or lease our scanners and cameras on a full-time basis, or meet certain accreditation or privileging standards. Such requirements and limitations can significantly restrict the types of business models we can successfully utilize.

Medicare reimbursement rules impose many standards and policies on the payment of services that our customers provide. For instance, the Medicare prohibition on the “mark-up” of diagnostic tests can restrict what a physician may charge Medicare for diagnostic tests. Medicare also imposes medical necessity and other standards on physician and facilities that bill Medicare for services.

Any limitation of Medicare, Medicaid or private payer coverage for PET or SPECT procedures using will likely have a material adverse effect on the Company’s business, financial condition, results of operations and cash flows.

Centers for Medicare & Medicaid Services (CMS) released their 2014 Medicare Physician Fee Schedule, which outlines the payment rates for medical services paid to private physicians in the outpatient office setting. This fee schedule stated that Myocardial PET perfusion imaging was increased to $1,310.60 per study. The Medicare Physician Fee Schedule also states that Cardiovascular SPECT reimbursement for outpatient cardiology practices billing under CPT codes has been increased to $1,153.62.

Manufacturing

Our manufacturing strategy combines our internal design expertise and proprietary process technology with strategic outsourcing to achieve cost efficiencies. All of the Company’s PET scanners are manufactured through our joint venture, Neusoft Positron Medical Systems, at its development and manufacturing facility in Shenyang, China. The

refurbishment of spent Sr-82/Rb-82 generators, production, recycling and processing of Sr-82 from foreign vendors are performed at the Company's facility in Lubbock, Texas.

The Company expects to continue outsourcing additional components and processes to gain efficiencies and cost savings. The Company expects to perform subassembly and final system performance tests, packaging and labeling at our facility. The Company provides connectivity solutions which include consulting and configured computers. The Company also sells accessories which are outsourced and include printers, equipment for handling and measuring radioactive materials, and software for the cameras and systems.

The Company and its third-party manufacturers are subject to the FDA's Quality System Regulation, state regulations, and regulations promulgated by the European Union.

Joint Venture with Neusoft Medical Systems Co., Ltd.

On June 30, 2005, the Company entered into a Joint Venture Contract with Neusoft Medical Systems Co., Inc. of Shenyang, in the People's Republic of China ("Neusoft"). Pursuant to the Joint Venture Contract the parties formed a jointly-owned company, Neusoft Positron Medical Systems Co., Ltd. (the "JV Company"), to engage in the manufacturing of PET and CT/PET medical imaging equipment. Neusoft's aggregate contribution to the capital of the JV Company was 67.5% of the total registered capital of the Company, or US$1,350,000, and the Company's aggregate contribution consisted of cash in the amount of $250,000 and a technology license valued at $400,000. Positron has transferred to the JV Company certain of its PET technology. During 2008-2009, as a result of additional capital contributions by Neusoft, the Company's share in JV Company decreased to 1%.

Under its Joint Venture Contract with Neusoft, the Company has the exclusive right to sell PET system products developed by the JV Company in the U.S, Canada, and Mexico under its registered trademarks. Neusoft has the exclusive right to sell products developed by the JV Company in China under its registered trademarks. Each of Neusoft and the Company has the right to sell products developed by the JV Company in the countries and regions worldwide with the exception of China, the U.S., Canada and Mexico, where select exclusive rights apply.

The joint venture obtained the FDA 510k regulatory approval of Attrius Cardiac PET in April 2009.

Research and Development

The Company's research and development expenses were approximately $471,000 and $564,000 for the years 2014 and 2013, respectively. The research and development activities have been focused on development of radiopharmaceutical delivery systems and regulatory and quality systems compliance required to offer radiopharmaceuticals, radiochemicals and radioisotopes into the marketplace. We continue to improve and/or customize our radiopharmaceutical equipment to fit it to new products and meet unique user requirements. There have been significant resources allocated in the initial start up, preparation, licensure and regulatory compliance of the Company's radiopharmaceutical manufacturing and radioisotope production facilities. These research and development activities are costly and critical to the Company's ability to maintain, develop and improve its "state of the art" products. The Company's inability to conduct such activities in the future may have a material adverse effect on the Company's business as a whole.

Patent, Trademarks and Royalty Arrangements

The Company has three (3) patents covering the solid-state quantum photodetector technology and configuration of imaging apparatus and systems, one (1) patent for PET radiopharmaceuticals infusion and shielding device and. one (1) patent pertaining to specific features of the Company's automated radiopharmaceutical system.

As of December 31, 2014, we hold trademark registrations in the United States for the following marks: Positron®, Attrius®, PosiRx®, PosiStar®, Tech-Assist® and Pulse CDC™."

The Company seeks to protect its trade secrets and proprietary know-how through confidentiality agreements with its employees and consultants. The Company requires our employees, consultants and advisors to enter into a confidentiality agreement containing provisions prohibiting the disclosure of confidential information to anyone outside the Company, and requiring disclosure to the Company of any ideas, developments, discoveries or investigations conceived during service and the assignment to the Company of patents and proprietary rights to such matters related to the business and technology of the Company. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary.

Product Liability and Insurance

Medical device companies are subject to a risk of product liability and other liability claims in the event that the use of their products results in personal injury claims. The Company carries the appropriate commercial and business insurances coverage to mitigate this risk. The Company has not experienced any product liability claims to date.

Employees

As of December 31, 2014, the Company employed 19 full-time employees. None of the Company's employees are represented by a union.

Available Information

Positron Corporation is required to file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Investors may read and copy any document that Positron Corporation files, including this Annual Report on Form 10-K, at the SEC's Public Reference Room at 450 F Street, N.W., Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at *http://www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, from which investors can electronically access Positron's SEC filings.

ITEM 1A. Risk Factors

Risk Associated with Business Activities

***History of Losses*.** To date, the Company has been unable to sell its products in quantities sufficient to be operationally profitable. Consequently, the Company has sustained substantial losses. During the year ended December 31, 2014, the Company had a net loss of approximately $3,678,000 compared to a net loss of approximately $7,104,000 during 2013. At December 31, 2014, the Company had an accumulated deficit of approximately $127,110,000. There can be no assurances that the Company will ever achieve the level of revenues needed to be operationally profitable in the future and if profitability is achieved, that it will be sustained. Due to the limited number of products that have been sold in each fiscal period, the Company's revenues have fluctuated, and may likely continue to fluctuate significantly from quarter to quarter and from year to year. The opinion of the Company's independent auditors for the year ended December 31, 2013 expressed doubt as to the Company's ability to continue as a going concern. The Company will need to obtain additional capital and increase product sales to become profitable.

Recruiting and Retention of Qualified Personnel. The Company's success is dependent to a significant degree upon the efforts of its executive officers and key employees. The loss or unavailability of the services of any of its key personnel could have a material adverse effect on the Company. The Company's success is also dependent upon its ability to attract and retain qualified personnel in all areas of its business, particularly management, research and development, sales and marketing and engineering. There can be no assurance that the Company will be able to continue to hire and retain a sufficient number of qualified personnel. If the Company is unable to retain and attract such qualified personnel, its business, operating results and cash flows could be adversely affected.

Working Capital. The Company had cash and cash equivalents of approximately $208,000 at December 31, 2014. The Company utilized $433,000 proceeds from issuance of convertible debt and $1,000,000 proceeds from the sale of common stock for equity to fund operating activities during the year ended December 31, 2014. The Company had accounts payable and accrued liabilities of approximately $849,000 and a negative working capital of approximately $1,967,000. The Company believes that it may continue to experience operating losses and accumulate deficits in the foreseeable future. If we are unable to obtain 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.

Penny Stock Rules. If the shares of the Registrant's common stock are listed on The Nasdaq Stock Market or certain other national securities exchanges and the price thereof is below $5.00, then subsequent purchases of such securities will be subject to the requirements of the penny stock rules absent the availability of another exemption. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on The Nasdaq Stock Market). The penny stock rules require a broker-dealer to deliver

a standardized risk disclosure document required by the SEC, to provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, monthly account statements showing the market value of each penny stock held in the customer's account, to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules.

A Small Number of Large Stockholders and Thinly Traded Market. A small number of our current stockholders hold a substantial number of shares of our common stock that they may sell in the public market. In addition, our common stock is thinly traded and any significant sales of our common stock may cause volatility in our common stock price. Sales by our current stockholders of a substantial number of shares, or the expectation that such sale may occur, could significantly reduce the market price of our common stock. We have also registered all shares of common stock that we may issue under our employee benefit plans. Accordingly, these shares can be freely sold in the public market upon issuance, subject to restrictions under the securities laws. If any of these stockholders cause a large number of securities to be sold in the public market, the sales could reduce the trading price of our common stock. These sales also could impede our ability to raise capital in the future.

In addition, these stockholders, acting together, will be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those of other stockholders. As a result of their actions, or inaction our stock price may decline.

Substantial Competition and Effects of Technological Change. The industry in which the Company is engaged is subject to rapid and significant technological change. There can be no assurance that Company's systems can be upgraded to meet future innovations in the industry or that new technologies will not emerge, or existing technologies will not be improved, which would render the Company's products obsolete or non-competitive. Many of our competitors enjoy significant competitive advantages over us, including: greater name recognition; greater financial, technical and service resources; established relationships with healthcare professionals; established distribution networks; additional lines of products and the ability to offer rebates or bundle products to offer discounts or incentives; and greater resources for product development and sales and marketing. In addition, there can be no assurance that other established medical imaging companies, any of which would likely have greater resources than the Company, will not enter the market. There can be no assurance that the Company will be able to compete successfully against any of its competitors.

The downturn in the U.S. economy. Our revenues may be significantly impacted by the downturn in the U.S. economy. The slowing economy may also drive greater pricing pressures from our competition, increase the rate at which we lose business, or lead to disruptions in our supply chain, any of which would impede our ability to become profitable. Further, we cannot assure you that an improvement in economic conditions will result in an immediate, if at all positive, improvement in our operating results or cash flows.

Dependence upon third-party suppliers and the availability of certain radiopharmaceuticals. We rely on a limited number of third parties to manufacture and supply certain key components of our products. Alternative sources of production and supply may not be readily available. We have also outsourced production of PET systems to a single contract manufacturer. If a disruption in the availability of parts, or in the operations of these suppliers were to occur, our business could be materially affected. For this reason, we have backup plans in place that are designed to prevent delays in production. If these plans are unsuccessful, delays in the production of systems for an extended period of time could cause the loss of revenue, which could significantly harm our business and results of operations. Our equipment involves the use of certain radiopharmaceuticals. If there are disruptions in the supply of these radiopharmaceuticals, that will cause us to cancel services that would otherwise be provided. If there is an inadequate supply of the necessary radiopharmaceuticals, we may be unable to sell our equipment, and our business may be harmed.

No Assurance of Market Acceptance. The Company's systems involve new technology that competes with more established technologies. The purchase and installation of our system involves a significant capital expenditure on the part of the purchaser. A potential purchaser of our system must have an available patient base that is large enough to provide the utilization rate needed to justify such capital expenditure. There can be no assurance that the Company's systems will be accepted by the target markets, or that the Company's sales of systems will increase or that the Company will be profitable.

Patents and Proprietary Technology. The Company holds certain patent and trade secret rights relating to various aspects of its technologies, which are of material importance to the Company and its future prospects. Any patents we have obtained or do obtain may be challenged by re-examination or otherwise invalidated or eventually found

unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. Competitors may attempt to challenge or invalidate our patents, or may be able to design alternative techniques or devices that avoid infringement of our patents, or develop products with functionalities that are comparable to ours. In the event a competitor infringes upon our patent or other intellectual property rights, litigation to enforce our intellectual property rights or to defend our patents against challenge, even if successful, could be expensive and time consuming and could require significant time and attention from our management. Furthermore, there can be no assurance that the Company's products will not infringe on any patents of others. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against challenges from others.

In addition, the Company requires each of its consultants to enter into a confidentiality agreement designed to assist in protecting the Company's proprietary rights. There can be no assurance that these agreements will provide meaningful protection or adequate remedies for the Company's trade secrets or proprietary know-how in the event of unauthorized use or disclosure of such information, or that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's trade secrets and proprietary know-how.

We Use Products that are Highly Regulated. In July 2011, Bracco Diagnostics Inc. voluntarily recalled its CardioGen-82 generator after the U.S. Food and Drug Administration ("FDA") found that certain patients who had undergone PET imaging scans with rubidium chloride injected from CardioGen-82 generator, the radioactive drug injected into a patient to evaluate the functions of the heart, received excessive yet non-harmful amounts of the radiopharmaceutical. The recall was lifted in or about January 2012 and adversely affected the Company's operations. There can be no assurance that another, similar incident or a voluntary recall will not occur which would adversely affect the Company's business, financial conditions results of operations and cash flows.

Government Regulation. We are directly, or indirectly through our clients, subject to extensive regulation by both the federal government and the states in which we conduct our business including: the federal Medicare and Medicaid anti-kickback laws, other Medicare laws, regulations, rules, manual provisions, and policies that prescribe the requirements for coverage and payment for services performed by us and our DIS customers; the federal False Claims statutes; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA; the Stark Law; the Federal Food, Drug and Cosmetic Act; federal and state radioactive materials laws; state food and drug and pharmacy laws and regulations; state laws that prohibit the practice of medicine by non-physicians and fee-splitting arrangements between physicians and non-physicians; state scope-of-practice laws; and federal rules prohibiting the mark-up of diagnostic tests to Medicare under certain circumstances. If our customers are unable or unwilling to comply with these statutes, regulations, rules and policies, utilization rates of our services and products will decline and our business will be harmed.

We maintain a compliance program to identify and correct any compliance issues and remain in compliance with all applicable laws, to train employees, to audit and monitor our operations, and to achieve other compliance goals. Like most companies with compliance programs, we occasionally discover compliance concerns. In such cases, we take responsive action including corrective measures when necessary. There can be no assurance that our responsive actions will insulate us from liability associated with any detected compliance concerns.

If our past or present operations are found to be in violation of any of the laws, regulations, rules or policies described above or the other laws or regulations to which we or our customers are subject, we may be subject to civil and criminal penalties, damages, fines, exclusion from federal or state health care programs, or the curtailment or restructuring of our operations. Similarly, if our customers are found to be non-compliant with applicable laws, they may be subject to sanctions, which could have a negative impact on us. If we are excluded from federal or state health care programs, our customers who participate in those programs could not do business with us. Any penalties, damages, fines, curtailment or restructuring of our operations would adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and damage our reputation.

All laws and regulations, including those specifically applicable to the Company, are subject to change. The Company cannot predict what effect changes in laws and regulations might have on its business. Failure to comply with applicable laws and regulatory requirements could have material adverse effect on the Company's business, financial conditions, results of operations and cash flows.

Further, sales of medical devices outside the country may be subject to foreign regulatory requirements. These requirements vary widely from country to country. There is no assurance that the time and effort required to meet those varying requirements may not adversely affect Positron's ability to distribute its systems in some countries.

***No Dividends*.** The Company has never paid cash dividends on its common stock and does not intend to pay cash dividends on its common stock in the foreseeable future.

ITEM 1B. Unresolved Staff Comments

None

ITEM 2. Properties

The Company owns approximately 2,000 square feet of office space in Westmont, Illinois which it uses for corporate and administrative offices.

On April 19, 2010, the Company entered into a lease agreement (the “Lease”) with GMA properties, LLC, a New York limited liability company (the “Lessor”) for PET parts and service and Clinical and Technical Cardiovascular PET Training Institute. The amount of leased space at this location in Niagara, New York is approximately 3,125 square feet.

The Company has a month to month operating lease for its remaining Houston operations where the Company maintains inventory at times. Monthly rent for the facility is $1,000.

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 will be required to make monthly payments of $ $5,287 from December 1, 2013 through November 30, 2016. The amount of leased space at this location is approximately 9,761 square feet. In March 2015, the Company and the landlord agreed to a termination of the lease and vacation of the premises effective April 30, 2015.

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 is on a month to month lease basis, requiring monthly payments of $ 1,475.

ITEM 3. 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. Upon determination of the disposition of the Company’s security deposit, the terms of the judgment will be completed.

In May, 2013, the Company was served with a First Amended Complaint in action commenced against its former CEO and principal shareholder. The plaintiff in the action is seeking to enforce a judgment against the former CEO and principal shareholder and is seeking to have the Company's Westmont, Illinois offices, which it purchased from the former CEO, reconveyed. The related party defendants have disputed the basis of the judgment and the Company has denied the allegations in the Complaint and is defending the action. The Plaintiff recently filed a motion to amend its complaint to seek the return of $1,917,000 of the funds invested by Solaris, plus interest, from the Company. The motion has not yet been heard by the court.

On October 8, 2014, the Company accepted service of a Summons and Complaint in an action commenced by the Securities and Exchange Commission (the "Commission), in the United States District Court for the Southern District of Florida. The complaint alleges the Company's former Chairman, CEO and principal stockholder and the Company engaged in fraudulent activity to manipulate the Company's stock. The complaint alleges that the former CEO was involved in compensating a confidential informant, who was a former consultant to the Company, $1,000 to encourage interest and buying in the Company's stock. The Commission's complaint alleges that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rules 10b-5(a) and 10b-5(c). The Commission is seeking injunctions from future violations and civil money penalties against the Company. Without admitting or denying the allegations in the complaint, the Company entered into a settlement with the Commission and agreed not to violate Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act and to have the determination of any monetary penalty be decided in a judicial hearing, which has not yet been scheduled.

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 4. Mine Safety Disclosure

Not applicable.

ITEM 5. Market for Common Equity and Related Stockholder Matters

Market Information

The Company's common stock is currently traded and quoted on the NASDAQ OTC Bulletin Board under the symbol POSC. See "Item 1. Description of Business – Risks Associated with Business Activities."

The following range of the high and low reported closing sales prices for the Company's common stock for each quarter in 2014 and 2013, all as reported on the NASDAQ OTC Bulletin Board. These quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	2014		2013	
	High	Low	High	Low
First Quarter	$0.0100	$0.0040	$0.0100	$0.0070
Second Quarter	$0.0085	$0.0042	$0.0100	$0.0070
Third Quarter	$0.0060	$0.0038	$0.0075	$0.0030
Fourth Quarter	$0.0044	$0.0012	$0.0053	$0.0030

Holders

There were approximately 4,200 shareholders of common stock as of March 31, 2015.

Dividends

Dividends payable to common shareholders, if any, will be contingent upon our revenues and earnings, capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, for use in our business operations.

Description of Securities

Number of Authorized and Outstanding Shares. The Company's Certificate of Formation, as amended, authorizes the issuance of 9,000,000,000 shares of common stock, $0.0001 par value per share (the “Common Stock”), of which 5,554,695,123 shares were outstanding on December 31, 2014. All of the outstanding shares of Common Stock are fully paid and non-assessable.

Voting Rights. Holders of shares of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by the shareholders. Accordingly, the holders of in excess of 50% of the aggregate number of shares of Common Stock outstanding will be able to elect all of the directors of the Company and to approve or disapprove any other matter submitted to a vote of all shareholders. The holders of our Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available. We have not paid any dividends since our inception, and we presently anticipate that all earnings, if any, will be retained for development of our business. Any future disposition of dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operating and financial condition, capital requirements, and other factors.

Other. Holders of Common Stock have no cumulative voting rights. Holders of Common Stock have no preemptive rights to purchase the Company's Common Stock. There are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock.

Transfer Agent. Shares of Common Stock are registered at the transfer agent and are transferable at such office by the registered holder (or duly authorized attorney) upon surrender of the Common Stock certificate, properly endorsed. No transfer shall be registered unless the Company is satisfied that such transfer will not result in a violation of any applicable federal or state security laws. The Company’s transfer agent for its Common Stock is Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004, (212) 509-4000.

Description of Preferred Stock

The Company’s Certificate of Formation, as amended, authorizes the issuance of 20,000,000 shares of preferred stock from time to time in one or more series. The Board of Directors is authorized to determine, prior to issuing any such series of preferred stock and without any vote or action by the shareholders, the rights, preferences, privileges and restrictions of the shares of such series, including dividend rights, voting rights, terms of redemption, the provisions of any purchase, retirement or sinking fund to be provided for the shares of any series, conversion and exchange rights, the preferences upon any distribution of the assets of the Company, including in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the preferences and relative rights among each series of

preferred stock. The Board of Directors has designated the following series of preferred stock:

(i) O,900,000 shares of Series A 8% Convertible Redeemable Preferred Stock ("Series A"), of which 447,652 shares are outstanding December 31, 2014. Holders of the Series A have no voting rights but may vote on a converted basis on any matter requiring shareholder vote. The Series A is senior to the Company's Common Stock in liquidation. While the Series A is outstanding or any dividends thereon remain unpaid, no Common Stock dividends may be paid or declared by the Company. The Series A may be redeemed in whole or in part, at the option of the Company, at any time subsequent to March 1998 at a price of $1.46 per share plus any undeclared and/or unpaid dividends to the date of redemption. Redemption requires at least 30 days advanced notice and notice may only be given if the Company's Common Stock has closed above $2.00 per share for the twenty consecutive trading days prior to the notice.

(ii) 9,000,000 shares of Series B Preferred Stock ("Series B"), of which 262,485 shares are outstanding December 31, 2014. Holders of the Series B are entitled to 1 votes per share on all matters requiring shareholder vote. Each share of Series B, $1.00 par value, is convertible into 1 shares of the Company's Common Stock. The Series B is senior to the Company's Common Stock and junior in priority to the Company's Series A in liquidation. While the Series B is outstanding, no Common Stock dividends may be paid or declared by the Company. The Series B may be redeemed in whole or in part, at the option of the Company, at any time at a price of $1.00 per share.

(iii) I00,000 Series S Convertible Preferred Stock ("Series S"), of which there were no shares outstanding December 31, 2014. Each share of Series S, $1.00 par value per share, is convertible into 10,000 shares of the Company's Common Stock, subject to adjustment. The Series S is senior to the Company's Common Stock and junior in priority to the Company's Series A and Series B in liquidation. Holders of the Series S Preferred Stock are entitled to 10,000 votes per share on all matters requiting shareholder vote. While Series S is outstanding no Common Stock dividends may be paid or declared by the Company.

(iv) I5,000,000 Series H Convertible Preferred Stock ("Series H"), of which there were no shares outstanding December 31, 2014. Each share of Series H, $0.01 par value per share, is convertible into shares of the Company's Common Stock at a rate equal to the number of shares of the Series H Preferred Stock being converted multiplied by the Original Issuances Price of $0.01 and divided by seventy percent (70%) of the daily weighted volume average price for the three trading days prior to conversion. The Series H Preferred Stock is entitled to two hundred (200) votes per share of the Series H Preferred Stock on all matters which holders of Common Stock are entitled to vote.

Penny Stock Rules

The Securities and Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

Our shares are considered penny stock under the Securities and Exchange Act. The shares will remain penny stocks for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document, which:

- Contains a description of the nature and level of risk in the market for penny stock in both public offerings and secondary trading.
- Contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the Securities Act of 1934, as amended.
- Contains a brief, clear, narrative description of a dealer market, including "bid" and "ask" price for the penny stock and the significance of the spread between the bid and ask price.
- Contains a toll-free telephone number for inquiries on disciplinary actions.
- Defines significant terms in the disclosure document or in the conduct of trading penny stocks.
- Contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- The bid and offer quotations for the penny stock.
- The compensation of the broker-dealer and its salesperson in the transaction.

The number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock.

- Monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

Recent Sales of Unregistered Securities

During the fiscal years ended December 31, 2014, 2013, and 2012, the Company issued the following securities exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act. No underwriting or other compensation was paid in connection with these transactions:

2014

On December 22, 2014 the Company amended its Certificate of Formation to amend the number of its authorized shares of common stock, par value $0.0001 per share to 9,000,000,000 and preferred shares to 20,000,000, $0.0001 per share.

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 conversion of convertible promissory notes in the original aggregate amount of $5,403,000, and aggregate of 2,000,000 shares from the conversion of 20,000 shares of the Company’s Series B Convertible Preferred Stock into Common Stock, 250,000,000 shares from the conversion of 25,000 shares of the Company’s Series S Convertible Redeemable Preferred Stock.

On June 25, 2014, the Company's former CEO converted 10,000,000 shares of the Company's Series H preferred stock to 277,777,777 shares of common stock.

On June 25, 2014, the CFO converted 2,500,000 shares of the Company's Series H preferred stock to 69,444,444 shares of common stock.

On June 25, 2014, the Company issued 10,000,000 shares of common stock for current and future consulting services.

In August 2014, the Company issued an aggregate of 726,400,200 share of Common Stock. 116,666,667 shares were issued as a result of conversion of convertible promissory notes in the original aggregate amount of $350,000, and aggregate of 276,400,200 shares from the conversion of 2,764,000 shares of the Company's Series B Convertible Preferred Stock into Common Stock, and sold 333,333,333 shares for $1,000,000.

In October 2014, the Company issued an aggregate of 751,000,000 shares of Common Stock. 1,000,000 shares from the conversion of 10,000 shares of the Company's Series B Convertible Preferred Stock into Common Stock, 750,000,000 shares from the conversion of 75,000 shares of the Company's Series S Convertible Redeemable Preferred Stock.

2013

On December 6, 2013, the Company issued a Convertible Debenture in the amount of $2,500,000, due on December 31, 2014, without interest and convertible into shares of the Company's Common Stock at the rate of the daily weighted volume average price of the three trading days prior to a conversion, multiplied by 0.55.

On November 7, 2013, Patrick Rooney, the Company's Chairman and Chief Executive Officer, converted previously made advances in the amount of $500,000 into 5,000,000 shares of Series H Junior Convertible Preferred Stock (the "Series H Preferred Stock").

On April 11, 2013, the Company accepted subscriptions from Patrick Rooney, its Chairman and Chief Executive Officer, and Corey N. Conn, its Chief Financial Officer in the amounts of $500,000 and $250,000 respectively for an aggregate investment of $750,000. In consideration of these subscriptions, the Company issued 7,500,000 shares of its newly created Series H Junior Convertible Preferred Stock, par value $0.01 per share (the "Series H Preferred Stock").

On April 12, 2013, the Company issued 621,000 shares of common stock for consulting services.

2012

On October 31, 2012, the Company issued two convertible debentures to Patrick G. Rooney, its Chairman and Chief Executive Officer and Corey Conn Chief Financial Officer, in the amount of $1,600,000. In Connection with this subscription, on November 13, 2012, the Company issued Mr. Rooney warrants to purchase 37,500,000 shares of common stock and Mr. Conn warrants to purchase 10,500,000 shares of common stock all at the exercise price of $0.01 per share.

On September 10, 2012, the Company converted obligations totaling $35,605 into 10,000,000 shares of Common Stock. Of these shares, 6,666,667 shares were payable as of September 30, 2012 and were issued in October 2012.

On August 31, 2012, the Company converted 1,888,836 shares of Series B Convertible Preferred Stock into 118,883,629 shares of Common Stock. Also on August 31, the Company issued 2,000,000 shares to an investor who had purchased shares during the three months ended June 30, 2012 and which were included in stock payable as of June 30, 2012.

On August 21, 2012, the Company issued 1,000,000 shares of Common Stock to a vendor for services.

On July 17, 2012, the Company issued 1,000,000 shares of Common Stock to vendors for services rendered. The Company issued and additional 1,000,000 shares of Common Stock to a vendor for services rendered on July 18, 2012.

On June 19, 2012, the Company converted 16,667 shares of Series A Convertible Preferred Stock into 16,667 shares of Common Stock, converted 118,149 shares of Series B Convertible Preferred Stock into 11,814,878 shares of Common Stock, and converted 18,200 shares of Series G Convertible Preferred Stock into 2,020,000 shares of Common Stock. In addition, the Company issued 3,970,786 shares of Common Stock to a vendor for settlement of accounts payable.

On June 7, 2012, the Company issued 4,000,000 warrants in connection with a Convertible Debt issuance to a lender to purchase Common Stock of the Company, which will expire on December 31, 2013.

On May 29, 2012, the Company converted 231,190 shares of Series B Convertible Preferred Stock into 23,119,000 shares of Common Stock. The Company issued 18,181,181 , shares of Common Stock for repayment of related party convertible debt.

On May 21, 2012, the Company converted 73,226 shares of Series B Convertible Preferred Stock into 7,322,636 shares of Common Stock. The Company also accepted subscriptions in the amount of $130,000 and issued 15,000,000 shares of Common Stock. In connection with these issuances, the Company issued 13,000,000 warrants to investors to purchase Common Stock of the Company, which will expire on December 31, 2014. In addition, the Company issued 175,000 shares of Common Stock to a vendor on May 21, 2012 for services rendered.

On May 20, 2012, the Company issued 2,000,000 warrants to an investor to purchase Common Stock of the Company, which will expire on December 31, 2013.

On May 7, 2012, the Company issued 4,000,000 warrants in connection with a Convertible Debt issuance to a Lender to purchase Common Stock of the Company, which will expire on December 31, 2013.

On April 5, 2012, the Company converted 634,000 shares of Series B Convertible Preferred Stock into 63,400,000 shares of Common Stock. The Company also accepted subscriptions in the amount of $28,000 and issued 2,800,000 shares of Common Stock. In connection with these Common Stock issuances, the Company also issued 3,100,000 warrants to purchase Common Stock of the Company, which will expire on December 31, 2013. Also on April 5, 2012, the Company issued 39,682,539 shares of Common Stock for repayment of convertible debt, and issued 2,208,750 shares of Common Stock to a vendor for settlement of accounts payable.

On March 14, 2012, the Company accepted subscriptions in the amount of $35,000 and issued 3,500,000 shares of Common Stock. In connection with these issuances, the Company also issued 3,500,000 warrants to investors to

purchase Common Stock of the Company, which will expire on December 31, 2013, and extended the expiration date of 750,000 warrants which had expired to December 31, 2013. Also on March 14, 2012, the Company issued 1,200,000 shares of Common Stock to an employee for services valued at $20,000, and 600,000 shares of Common Stock to a vendor for services rendered.

On March 1, 2012, the Company converted 603,711 shares of Series B Convertible Preferred Stock into 60,371,100 shares of Common Stock. Also on March 1, 2012, the Company issued 3,000,000 shares of Common Stock to a vendor for services.

On January 20, 2012, the Company accepted subscriptions in the amount of $50,000 and issued 5,000,000 shares of Common Stock. In connection with these Common Stock issuances, the Company also issued 5,000,000 warrants to purchase Common Stock of the Company, which will expire on December 31, 2013, and extended the expiration date of 7,500,000 warrants which had expired to December 31, 2013.

On January 19, 2012, the Company converted 1,923,223 shares of Series B Convertible Preferred Stock into 192,322,258 shares of Common Stock. Also on January 19, 2012, the Company accepted subscriptions in the amount of $100,000 and issued 27,000,000 shares of Common Stock. Additionally, the Company issued 10,000,000 warrants to investors to purchase Common Stock of the Company, which will expire on December 31, 2014, and extended the expiration dates of 30,000,000 warrants which had expired to December 31, 2014. Furthermore, on January 19, 2012, the Company issued 5,000,000 shares in connection with the acquisition of MIT and 76,261 shares of Common Stock were issued for royalties. On January 19, 2012, the Company issued 25,000,000 shares of Common Stock and a convertible debenture due on December 31, 2014, with interest at the rate of 8%, to a related party as the purchase price for the office space previously leased by the Company. In addition, the Company issued 35,000,000 warrants, which entitle the related party to purchase shares of the Company's common stock of the Company, which will expire on December 31, 2014.

On January 9, 2012, the Company issued 1,400,000 shares to a vendor for services.

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.

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ITEM 6. Selected Financial Data

Not applicable for smaller reporting companies.

ITEM 7. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our selected financial data and our financial statements and the accompanying notes included in this annual report. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and under the headings "Risk Factors" and "Forward-Looking

Statements."

Overview

Positron Corporation is 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.

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. Led by an experienced management team, Positron has become a true business enterprise with strong recurring revenue generating business model scalable to the global marketplace.

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, and leading to further adoption and growth of the cardiac PET modality.

Positron believes it 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 world's 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.

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 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 30% during the last decade. Based on Company estimates there were approximately 170 dedicated cardiac PET & PET/CT scanners performing nuclear cardiology within the U.S. in 2014, a tenfold increase since 2006.

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 2009, 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; PET/CT systems also possess attributes that may affect the accuracy of a perfusion study, leading to false positives.

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. Positron anticipates the cardiac PET market to rebound in Q4 2016, beginning with Bracco’s ability to now accept new generator customers, and with accelerated expansion upon market entry of the DraxImage’s generator, once FDA approved.

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. Positron will have an access to a Rb-82 generator through a proprietary relationship with a major manufacturer or its own Rb-82 generator and intends to utilize all Sr-82 produced by the facility to supply its cardiac PET client base. This allows Positron to have a complete, integrated, supply chain. Positron's captive customer base of Attrius® owners and the existing robust PET users require a constant supply of radiopharmaceuticals manufactured from the Sr-82 radioisotope, giving us a significant advantage against any potential commercial competition.

A key point in determining the competitive landscape of U.S. Sr-82 production is the policy of the DOE to not compete with the private sector. While the DOE produces a majority of Sr-82 in the world, once Sr-82 is reasonably available commercially, the DOE can be compelled to withdraw from the market.

With the recent growth of cardiac PET imaging, the supply of isotopes is quickly moving towards capacity within the next one-three years. Annual demand for medical imaging products, produced by a high-energy cyclotron, are currently estimated at over $20 million and is 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.

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

Although the cardiac PET industry since 2011, has experienced its most challenging years 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.

Results of Operations

Consolidated results of operations for the years ending December 31, 2014 and 2013 include Positron and its wholly-owned subsidiaries: Imaging PET Technologies (“IPT”), Positron Isotope Corporation (“PIC”), Manhattan Isotope Technology LLC (“MIT”) and C-70.

Revenues - Revenues for the year ended December 31, 2014 were approximately $1,466,000 as compared to $1,630,000 for the year ended December 31, 2013. There were no PET systems sold during either year. Sales of PET systems have been negatively impacted by the shortage of Sr-82/Rb-82 generators supplied to cardiac imaging facilities by Bracco Diagnostics due to the voluntary recall of their Rb-82 generator and limited production capacity or supply of the parent isotope Sr-82.

Costs of Sales - Costs of sales for the year ended December 31, 2014 were approximately $1,362,000 compared to $1,206,000 for the year ended December 31, 2013.

Operating Expenses - The Company’s operating expenses were approximately $2,847,000 for the year ended December 31, 2014 compared to $3,762,000 for the year ended December 31, 2013.

General and administrative expenses during the year ended December 31, 2014 were $2,190,000 as compared to $2,779,000 for the year ended December 31, 2013. The company recorded $656,000 in stock based compensation in 2013, compared to 89,000 in 2014.

Research and development costs for the year ended December 31, 2014 were approximately $471,000 compared to $564,000 for the year ended December 31, 2013. Research and development costs included mostly payroll, contract labor and consulting fees for the PosiRx® development. In addition, the Company has incurred research and development costs related to its planned radiopharmaceutical facility in preparation 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 years ended December 31, 2014 and 2013 were $186,000 and $419,000, respectively and were lower in 2013 due to the Company’s efforts to limit expenditures during the recall period of the Bracco Diagnostics rubidium generator.

Other Expenses – During the years ended December 31, 2014 and 2013, the Company recorded other expenses of approximately $159,000 and $3,766,000, respectively. Other expenses include interest expense, derivative gain (loss), debt modification expense and other gains and losses.

Interest expense was $1,823,000 and $2,137,000 for the years ended December 31, 2014 and 2013, respectively. $1,792,000 and $1,910,000 of the total interest expense for the years ended December 31, 2014 and 2013, respectively, was related to the accretion of debt discount associated with convertible debt.

Company recorded derivate gain of $1,237,000 and loss of $665,000, for the years ended December 31, 2014 and 2013, respectively, in connection with the embedded conversion derivative liabilities related to convertible debt and warrant extensions.

During the years ended December 31, 2014 and 2013, the Company recognized expense of $9,000 and $821,000, respectively, on the modification of the terms of the convertible debentures.

During the year ended December 31, 2013 the Company recorded other expenses of $143,000, which is made up of foreign currency translation losses reclassified out of accumulated other comprehensive income. During the year ended December 31, 2014 the Company recorded other income of $754,000, which is made up recognizing deposits on machines of $658,000 and the settlement of certain obligation of $96,000.

Net Loss - For the year ended December 31, 2014, the Company had a net loss approximately of $2,584,000, or $0.00 per share, compared to a net loss of $7,104,000, or $0.00 per share, for the year ended December 31, 2013.

Liquidity and Capital Resources

Since inception, the Company has expended substantial resources on research and development. The Company has sustained substantial losses due to the limited number of systems sold or placed into service each year. Revenues have also fluctuated significantly from year to year. The Company had an accumulated deficit of approximately $126,016,000 at December 31, 2014. The Company will need to increase sales of systems, services, radiopharmaceuticals and radioisotopes and apply the research and development advancements to achieve profitability in the future. Prior to the voluntary recall of Sr-82/Rb-82 generators by Bracco Diagnostics, the Company had experienced an increase in sales with the launch of Attrius® PET system and expected additional increase in revenue through sales of automated radiopharmaceutical systems and recurring revenue from the sale of radiopharmaceuticals and radioisotopes. With an increase in sales, all systems material cost of goods and labor costs will be significantly lower. The Company expects that these developments will have a positive impact on the sales & service volumes and

increased net margins. However, there is no assurance that the Company will be successful in selling new systems.

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 capital until such time as the Company achieves profitability. To date, management has been successful in raising capital as needed for the continued operations of the Company. There is no guarantee that management will be able to continue to raise needed capital in this fashion.

The Company’s current financial condition raises doubt as to its ability to continue as a going concern. The report of the Company’s independent registered public accountants, which accompanied the financial statements for the year ended December 31, 2014, is qualified with respect to that risk. If the Company is unable to obtain debt or equity financing to meet its cash needs, it may have to severely limit or cease business activities or may seek protection from creditors under the bankruptcy laws.

At December 31, 2014, the Company had current assets of $730,000 and total assets of $1,869,000 compared to December 31, 2013, when current assets were $2,573,000 and total assets were $3,882,000. The decrease in current assets is attributable primarily to a decrease in cash during 2014.

Current liabilities at December 31, 2014 were $2,697,000 compared to $14,657,000 at December 31, 2013. At December 31, 2014 and 2013, current liabilities was largely comprised of accounts payable and accrued liabilities, customer deposits, unearned revenue, current portion of notes payable, convertible debt and embedded conversion derivative liabilities. The decrease in current liabilities as of December 31, 2014 is largely due to the $6,208,000 decrease in the embedded derivative liability associated with the convertible debentures, and decrease in the convertible notes less discount of $4,452,000, which were primarily conversions to common stock.

Net cash used in operating activities during the year ended December 31, 2014 was $2,415,000 compared to $3,046,000 used in operating activities during the year ended December 31, 2013.

Net cash used in investing activities was $26,000 for the year ended December 31, 2014 compared to $16,000 for the year ended December 31, 2013, was related primarily to purchases of property and equipment.

Net cash provided by financing activities was $905,000 and $4,563,000 for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, cash from financing activities was comprised of $1,000,000 from sales of common stock, $433,000 proceeds from the issuance of convertible debt, $435,000 payments of non-interest bearing advances and repayments of notes payable and capital lease of $93,000. During the year ended December 31, 2013, cash from financing activities was comprised of $2,520,000 proceeds from the issuance of convertible debt, $2,145,000 proceeds from non-interest bearing advances, which were partially offset by repayments of notes payable of $100,000, repayments of convertible debt of $100,000 and repayment of capital lease borrowings of $2,000.

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

Pronouncements issued by the FASB or other authoritative accounting standards group with future effective dates are either not applicable or not significant to the consolidated financial statements of the Company.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include the following:

Revenue Recognition

The Company’s revenues are currently derived from the sale of medical equipment products, maintenance contracts, service revenues and radioisotope sales. 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 and radioisotope 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® PET systems.

For 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.

Stock Compensation

We have granted stock options to employees, directors and consultants, as well as warrants to other third parties. For employee and director grants, the value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model takes into account volatility in the price of our stock, the risk-free interest rate, the estimated life of the option, the closing market price of our stock and the exercise price. We base our estimates of our stock price volatility on the historical volatility of our common stock and our assessment of future volatility; however, these estimates are neither predictive nor indicative of the future performance of our stock. For purposes of the calculation, we assumed that no dividends would be paid during the life of the options and warrants. The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those equity awards expected to vest. As a result, if other assumptions had been used, our recorded stock-based compensation expense could have been materially different from that reported. In addition, because some of the options and warrants issued to employees, consultants and other third-parties vest upon the achievement of certain milestones, the total expense is uncertain.

Embedded conversion derivative liabilities

Embedded conversion derivative liabilities are recorded as liabilities at their estimated fair value at the date of issuance, with subsequent changes in estimated fair value recorded in other income (expense) in the Company's statement of operations in each subsequent period. The embedded conversion derivative liabilities are measured at estimated fair value using the Black Scholes model. Inherent in this model are assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. We estimate volatility at the date of issuance, and at each subsequent reporting period, based on historical volatility that matches the expected remaining life of the embedded conversion derivative liabilities. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve. The expected life of the embedded conversion derivative liabilities is assumed to be equivalent to their remaining contractual term. The dividend rate is based on our historical rate, which we anticipate to remain at zero. The assumptions used in calculating the estimated fair value of the embedded conversion derivative liabilities represent our best estimates, however these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and different assumptions are used, the embedded conversion derivative liabilities and the change in estimated fair value could be materially different.

Allowance for doubtful accounts

Our allowance for doubtful accounts reflects reserves for customer and other receivables to reduce receivables to amounts expected to be collected. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible accounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While we believe these processes effectively address our exposure for doubtful accounts and credit losses have historically been within expectations, changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts. As of December 31, 2014 and 2013, the allowance for doubtful accounts was $171,000 and $141,000, respectively.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method of inventory valuation.

Management assesses the recoverability of the various inventory components on a quarterly basis and is based on the estimated net realizable values of respective finished and in process inventories.

Information Regarding and Factors Affecting Forward Looking Statements

The Company is including the following cautionary statement in this Annual Report on Form 10-K to make applicable and take advantage of the safe harbor provision of the Private Securities Litigation Reform Act of 1995 for 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, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward looking statements: the ability of the Company to attain widespread market acceptance of its systems; the ability of the Company to obtain acceptable forms and amounts of financing to fund future operations; demand for the Company's services; and competitive factors. The Company disclaims any obligation to update any forward looking statements to reflect events or circumstances after the date hereof.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

ITEM 8. Financial Statements

The required Financial Statements and the notes thereto are contained in a separate section of this report beginning with the page following the signature page.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2014, have concluded that, based on such evaluation, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, we have identified the following material weaknesses in our disclosure procedures:

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.

Disclosures of Related Party Transactions – The Company restated its financial statements for each of the first three quarters of 2014 following review of the Company's related party disclosures during such periods.

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 quarterly schedules.

There can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and

procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

· Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

· Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management; and

· Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Based on this assessment, management concluded that, as of December 31, 2014, our internal control over financial reporting was effective at a reasonable assurance level based on these criteria. However, management did identify a material weakness.

The Company identified the following material weakness related to its internal controls over financial reporting:

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.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

None

ITEM 10. Directors, Executive Officers, and Corporate Governance

The following table sets forth: (1) names and ages of all persons who presently are and who have been selected as directors and executive officers of the Registrant; (2) all positions and offices with the Registrant held by each such person; (3) any period during which he or she has served as such:

Name	Age	Position with the Company
Joseph G. Oliverio	45	President and Chairman of the Board
Corey N. Conn	52	Chief Financial Officer, Director
Sachio Okamura	64	Director
Dr. Anthony C. Nicholls	67	Director
Yuri Perevalov	62	Director

Directors are elected annually and serve until the next annual meeting and until his successor has been elected and qualified, or until his earlier death, resignation or removal.

Joseph G. Oliverio. Mr. Oliverio was appointed by the Board of Directors to serve as the Company's President on November 12, 2013 and was appointed Chairman of the Board of Directors on September 5, 2014. Mr. Oliverio served as Chief Technical Officer from May 14, 2009 to 2013 and President from 2005 to 2009. Prior to April 15, 2009, Mr. Oliverio served on the Board of Directors of Neusoft Positron Medical Systems Co., Ltd., a joint venture with Neusoft Medical Systems of China that manufactures the Company's PET products. Prior to joining Positron, Mr. Oliverio was the Chief Operating Officer of Michael E. Merhige, M.D., LLC, a renowned coronary disease reversal and prevention center. Mr. Oliverio earned an MBA from the University of Phoenix and a BS in Nuclear Medicine Technology from State University of New York at Buffalo, and is a certified nuclear medicine technologist. Mr. Oliverio has performed more than 13,000 combined heart and cancer PET scans using Positron devices and brings to the Company a valuable combination of business, clinical and technical skill sets. The Company’s Officers and Directors concluded Mr. Oliverio’s extensive clinical and technical PET experience and industry background make him an ideal candidate to serve on the Board of Directors.

***Corey N. Conn*..** Mr. Conn was appointed by the Board of Directors to serve as Chief Financial Officer in 2005 and was elected as a Director on January 2, 2008. Mr. Conn was Vice President of Business Development at iXL, an e-business and e-transformations services provider from June 1996 to September 1999 and also served as Managing Director of Virtual Partnerships, LLC, a business development and business strategy consulting firm from 1999 to 2004. Mr. Conn received a Bachelor’s Degree in Business Administration from Bradley University. The Company’s Officers and Directors concluded Mr. Conn’s extensive experience in financial compliance and operations in early stage companies make him an ideal candidate to serve on the Board of Directors.

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Sachio Okamura. Mr. Okamura has served as a director since his appointment to the Board of the Company on April 1, 2001. Mr. Okamura has performed bio-medical consulting services for Okamura Associates, Inc. from 1993 through the present date. These consulting services have included regulatory, distribution, licensing, joint venture, investment, merger and acquisition activities involving businesses in the United States and Japan. Mr. Okamura was in charge of bio-medical business development for various offices of Mitsubishi Corporation from 1978 through 1993. Mr. Okamura received a BS in Biochemistry in 1975 from the University of California, Davis and a Master of International Business from the American Graduate School of International Management in 1978. The Company's Officers and Directors concluded Mr. Okamura's extensive experience within the medical industry makes him an ideal candidate to serve on the Board of Directors.

Dr. Anthony Nicholls. Dr. Nicholls has served as a director since 2005. Dr. Nicholls is an independent consultant with over 30 years' experience in medical devices and diagnostics research. He has lectured in 45 countries of the world on subjects varying from the rapid diagnosis of Sepsis, Tuberculosis and Aids to vaccine production, environmental responsibility and entrepreneurship. He co-founded FAS Medical Ltd. in 1992, and as CEO, raised (CDN) $6 million, achieved a listing on CDNX and established sales of the company's products in 21 countries. He was employed as CEO of FAS Medical Ltd. from 1992 to 2003. Previously he was CEO of Trinity Biotech PLC and oversaw a successful IPO on NASDAQ. Earlier, Dr. Nicholls held senior management posts with Cambridge Biotech Corp. (Exec. VP), Biotech Research Labs Inc. (Pres. & COO), Fisher Scientific (Senior VP. & Gen. Manager), Ciba Corning Medical (Director, New Technology Development) and Flow General (International Scientific Director). Dr. Nicholls' academic career included seven years as Head of Microbiology and Immunology at the Midhurst Medical Research Institute in Sussex, England, where he published numerous papers on tuberculosis, pneumonia and sepsis. Dr. Nicholls is a graduate of the University of Birmingham School of Medical Sciences and has a Ph.D. in Immunology. The Company's Officers and Directors concluded Mr. Nicholls extensive experience within the medical industry as a businessman and physician make him an ideal candidate to serve on the Board of Directors.

Yuri Perevalov. Dr. Perevalov was elected as a Director on December 22, 2014. Dr. Perevalov is a business consultant and has been providing consulting services to the Company since June 2007. These consulting services include strategy and business development, merger and acquisitions, finance and operations. Prior thereto, Dr. Perevalov was Vice-President of Strategy and Business Development of IPT Inc., a wholly-owned subsidiary of the Company. Prior thereto, Mr. Perevalov held positions in financial analysis and planning in several different industries in Canada and for a decade was Executive Vice-President of Research and head of a department of the economic think-tank of the Russian Academy of Sciences, consulting the provincial government and large companies. Dr. Perevalov is an author of more than 130 publications and reports presented at numerous scientific conferences in Russia, Finland, Germany and Sweden. Dr. Perevalov holds a BS from the Ural State Technical University (Russia), a Candidate of Science degree in Economics (a PhD equivalent) and a Doctor of Science degree in Economics, both from the Russian Academy of Sciences.

AUDIT COMMITTEE.

Our Board of Directors has not established a separate audit committee within the meaning of Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Instead the board of directors acts as the audit committee within the meaning of Section 3(a)(58)(B) of the Exchange Act. The Company intends on establishing an Audit Committee composed of independent directors of the Company. The audit committee's duties would be to recommend to the Company's board of directors the engagement of independent auditors to audit the Company's financial statements and to review its accounting and auditing principles. The audit committee would review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee would at all times be composed exclusively of directors who are, in the opinion of the Company's board of directors, free from any relationship which would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

COMPENSATION COMMITTEE.

Our board of directors does not have a separate compensation committee responsible for determining executive and director compensation. Instead, the board of directors fulfills this function, and each member of the Board participates in the determination. Given the small size of the Company and its Board, plus the Company's limited resources, locating, obtaining and retaining additional independent directors is extremely difficult. In the absence of independent directors, the Board does not believe that creating a separate compensation committee would result in any improvement in the compensation determination process. Accordingly, the board of directors has concluded that the Company and its stockholders would be best served by having the entire board of director’s act in place of a compensation committee. When acting in this capacity, the Board does not have a charter.

CODE OF ETHICS

We have adopted a code of ethics meeting the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of violations; and provide accountability for adherence to the provisions of the code of ethic. Our code of ethics is filed as an exhibit to this Form 10-K.

ITEM 11. Executive Compensation

Summary Compensation Table

The following Summary Compensation Table shows certain compensation information for each of the Named Executive Officers. Compensation data is shown for the years ended December 31, 2014 and 2013. This information includes the dollar value of base salaries, bonus awards, the number of stock options granted, and certain other compensation, if any, whether paid or deferred.

Name and Principal Position	Year	Salary	Bonus	Restricted Stock Awards	Option Awards (c)	Nonequity incentive plan	All other compensation	Total
Patrick G. Rooney, (a)	2014	$122,659	$ -	$ -	$-	$ -	$ -	$122,659
Former Chief Executive Officer	2013	$150,000	$ -	$ -	$191,931	$ -	$ -	$341,931
Joseph G. Oliverio,	2014	$150,000	$ -	$ -	$35,960	$ -	$ -	$185,960
President	2013	$156,000	$ -	$ -	$150,803	$ -	$ -	$306,803
Corey N. Conn,	2014	$156,861	$ -	$ -	$35,960	$ -	$ -	$192,821
Chief Financial Officer	2013	$150,000	$ -	$ -	$150,803	$ -	$ -	$300,803
Charles Conroy, (b) Former Chief Operating Officer, Executive Director of Sales and Marketing	2013	$147,000	$ -	$ -	$-	$ -	$ -	$147,000
Yuri Perevalov, (d) Director	2014	$100,000	$ -	$ -	$-	$ -	$ -	$100,000

(a) Mr. Rooney resigned in September 2014;
(b) Mr. Conroy resigned as COO effective November 12, 2013
(c) Option related to Series preferred share options extended to January 2020.

(d) Compensation earned for consulting services and not as directors' fees. Mr. Perevalov was appointed December 22, 2014

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The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of December 31, 2014.

	Option awards				Stock awards			
Name and Principal Position	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
Joseph Oliverio	550,000 (1)	-	$ 1.00	12/31/15	-	-	-	-
Joseph Oliverio	20,000,000 (2)	-	$ 0.01	1/17/15	-	-	-	-
Corey Conn	550,000 (1)	-	$ 1.00	12/31/15	-	-	-	-
Corey Conn	20,000,000 (2)	-	$ 0.01	1/17/15	-	-	-	-

(1) - Options were granted for Series B preferred shares and were modified by the Board to extend the expiration to December 31, 2015

(2) - In 2015, the Board extended these options under the existing terms to January 17, 2020.

Equity Compensation Plan Information

The following table summarizes share and exercise information about the Company's equity compensation plans as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities included in column 1)
Series B Preferred Stock Options	1,370,000	$ 1.00	-
Common Stock	107,600,000	0.01	9,400,000

SUMMARY OF EQUITY COMPENSATION PLANS

Equity-Based Compensation

Key Employee Incentive Compensation.

The Company has an incentive compensation plan for certain key employees. The incentive compensation plan provides for annual bonus payments based upon achievement of certain corporate objectives as determined by the Company's Board of Directors. During 2013, the Company did not pay any bonus pursuant to the incentive compensation plan.

2009 Stock Incentive Plan

Positron's Board of Directors (the “Board”) administers the 2009 Stock Incentive Plan ("2009 Plan"), which was adopted by the Board effective September 22, 2009. The purpose of the 2009 Plan is to advance the interests of the Company’s stockholders by enhancing the Company’s ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align their interests with those of the Company’s stockholders. The 2009 Plan provides for the direct issuance of Awards including stock options, restricted stock awards and unrestricted stock awards. All of the Company’s employees, officers and directors (including persons who have entered into an agreement with the Company under which they will be employed by the Company in the future), as well as all of the Company’s consultants and advisors that are natural persons, are eligible to the awards under the 2009 Plan. The administrator is authorized to determine the terms of each award granted under the plan, including the number of shares, exercise price, term and exercisability. Stock and options may be granted for services rendered or to be rendered. A total of 100,000 shares of Common Stock have been authorized for issuance under the 2009 Plan. During 2012, 86,000 shares total had been issued under the 2009 Plan. As of December 31, 2014, no shares had been issued under the 2009 Plan.

2010 Equity Incentive Plan

Positron's Board of Directors (the “Board”) administers the 2010 Equity Incentive Plan ("2010 Plan"), which was adopted by the Board effective March 25, 2010. The purpose of the 2010 Plan is to advance the interests of the Company’s stockholders by enhancing the Company’s ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align their interests with those of the Company’s stockholders. The 2010 Plan provides for the direct issuance of Awards including stock options, restricted stock awards and unrestricted stock awards. All of the Company’s employees, officers and directors (including persons who have entered into an agreement with the Company under which they will be employed by the Company in the future), as well as all of the Company’s consultants and advisors that are natural persons, are eligible to the awards under the 2010 Plan. The administrator is authorized to determine the terms of each award granted under the plan, including the number of shares, exercise price, term and exercisability. Stock and options may be granted for services rendered or to be rendered. A total of 500,000 shares of Common Stock have been authorized for issuance under the 2010 Plan. As of December 31, 2014 and 2013, 400,000 shares in total had been issued under the 2010 Plan. During 2014, 700,000 of these options were forfeited. As of December 31, 2014, the company had a total of 1,370,000 options outstanding. In 2015, the Board extended the outstanding options to January 17, 2020.

2012 Equity Incentive Plan

On January 17, 2012, Positron's Board of Directors (the “Board”) adopted the 2012 Equity Incentive Plan ("2012 Plan"). The plan authorizes issuance a total of 2,000,000 options to purchase common stock shares. The purpose of the 2012 Plan is to advance the interests of the Company’s stockholders by enhancing the Company’s ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align their interests with those of the Company’s stockholders. The 2012 Plan provides for the direct issuance of Awards including stock options, restricted stock awards and unrestricted stock awards. All of the Company’s employees, officers and directors (including persons who have entered into an agreement with the Company under which they will be employed by the Company in the future), as well as all of the Company’s consultants and advisors that are natural persons, are eligible to the awards under the 2012 Plan. The administrator is authorized to determine the terms of each award granted under the plan, including the number of shares, exercise price, term and exercisability. Stock and options may be granted for services rendered or to be rendered. A total of 2,000,000 shares of Common Stock have been authorized for issuance under the 2012 Plan. On January 17, 2012, the Company granted certain employees options to purchase 177,600,000 shares of common stock under the 2012 Plan at an exercise price of $0.01 per share. During 2012, 70,000 of these options were forfeited. On November 5, 2012, the Company granted additional options to purchase 200,000 shares of common stock to a new employee at an exercise price of $0.01 per share. Fifty percent of the January and November option grants vested immediately on the grant date and the remaining fifty percent vested on January 17, 2013. All the options issued under the plan expire on January 17, 2015. As of December 31, 2012, the Company had a total of 1,906,000 options outstanding, 50% of which were fully vested. The remaining 50% of options vested on January 17, 2013. During 2014, 80,500,000 of these options were forfeited. As of December 31, 2014, the company had a total of 107,600,000 options outstanding. In 2015, the Board extended the outstanding options to January 17, 2020.

401(k) Savings Plan

The Company has a 401(k) Retirement Plan and Trust (the "401(k) Plan") which became effective as of January 1, 1989. Employees of the Company who have completed one-quarter year of service and have attained age 21 are eligible to participate in the 401(k) Plan. Subject to certain statutory limitations, a participant may elect to have his or her compensation reduced by up to 20% and have the Company contribute such amounts to the 401(k) Plan on his or her behalf ("Deferral Contributions"). The Company may make discretionary contributions in an amount up to 25% of the participant's Deferral Contributions up to 6% of his/her compensation ("Employer Contributions"). Additionally, the Company may make such additional contributions, as it shall determine each year in its discretion. All Deferral and Employer Contributions made on behalf of a participant are allocated to his/her individual accounts and such participant is permitted to direct the investment of such accounts.

A participant is fully vested in the current value of that portion of his/her accounts attributable to Deferral Contributions. A participant's interest in that portion of his/her accounts attributable to Employer Contributions is generally fully vested after five years of employment. Distributions under the 401(k) Plan are made upon termination of employment, retirement, disability and death. In addition, participants may make withdrawals in the event of severe hardship or after the participant attains age fifty-nine and one-half. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code of 1986, so that contributions made under the 401(k) Plan, and income earned on contributions, are not taxable to participants until withdrawal from the 401(k) Plan.

Policy with Respect to $1 Million Deduction Limit

It is the Company's policy, where practical, to avail itself of all proper deductions under the Internal Revenue Code. Amendments to the Internal Revenue in 1993, limit, in certain circumstances, the deductibility of compensation in excess of $1 million paid to each of the five highest paid executives in one year. The total compensation of the executive officers did not exceed this deduction limitation in 2013 or 2011.

Compensation of Directors

Directors who are also employees of the Company receive no fees for services provided in that capacity, but are reimbursed for out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors and its committees.

Non-Employee Director Compensation

During the year ended December 31, 2014 and 2013, our Non-Employee Directors received no compensation from the Company. Non-Employee Directors continue to be reimbursed for their reasonable expenses associated with attending board and committee meetings.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following tables, based in part upon information supplied by officers, directors and principal shareholders, set forth certain information regarding the beneficial ownership of the Company's voting securities by (i) all those known

by the Company to be beneficial owners of more than 5% of the Company's voting securities; (ii) each director (iii) the Company's Chief Executive Officer and the four other highest paid executive officers (the "Named Executive Officers"); and (iv) the directors and executive officers as a group.

Name of Beneficial Owner	Title of Class	Beneficial Ownership (a)	Number of Shares Subject to Options, Warrants and Convertible Preferred Stock Exercisable	Percent of Class (b)	
Cecil O'Brate	(c) Common	1,308,535,587	0	22.9	%
Joseph G. Oliverio	(d) Common	0	75,000,000	*	%
Corey N. Conn	(e) Common	813,311,111	85,500,000	14.24	%
Sachio Okamura	(f) Common	0	2,500,000	*	
Dr. Anthony C. Nicholls	(g) Common	0	1,500,000	*	
Yuri Perevalov	(h) Common	0	30,000,000	*	
All Directors and Executive Officers as a Group (5 Persons)	Common	818,311,111	170,500,000	14.242	%

* Does not exceed 1% of the referenced class of securities.

(a) Security ownership is direct unless indicated otherwise. Security ownership information for beneficial owners is taken from statements filed with the Securities and Exchange Commission pursuant to Sections 13(d), 13(g) and 16(a) and/or information made known to the Company.

(b) For each shareholder, the calculation of beneficial ownership is based upon 5,709,834,011 shares of Common Stock outstanding as of March 31, 2015, and shares of Common Stock subject to options, warrants and/or conversion rights held by the shareholder that are currently exercisable or exercisable within 60 days, which are deemed to be outstanding and to be beneficially owned by the shareholder holding such options, warrants, or conversion rights. Each share of Series A Preferred Stock converts into one fully paid and non-assessable shares of Common Stock. Each share of Series B Convertible Preferred Stock converts into one hundred (100) shares of Common Stock.

(c) Upon information available to the Company, includes 19,646,699 held jointly with Mr. O'Brate's son. The address for Mr. O'Brate is 3118 N. Cummings Road, Garden City, OK 67846.

(d) Includes 55,000,000 shares of Common Stock issuable upon full conversion of 550,000 Series B shares that may be acquired by Mr. Oliverio pursuant to stock options that are exercisable until December 31, 2014 and 20,000,000 shares of Common Stock options pursuant to 2012 Equity Incentive Plan that are exercisable until January 17, 2015.

(e) Includes 55,000,000 shares of Common Stock issuable upon full conversion of 550,000 Series B shares that may be acquired by Mr. Conn pursuant to stock options that are exercisable until December 31, 2014, warrants to purchase 10,500,000 shares of Common Stock at the exercise price of $.01 which expire on December 31, 2014, and 20,000,000 shares of Common Stock options pursuant to 2012 Equity Incentive Plan that are exercisable until January 17, 2015. Also includes 607,200,000 shares of Common Stock held by Pacno Family Trust over which Mr. Conn holds voting and dispositive power.

(f) Includes 2,500,000 shares of Common Stock issuable upon full conversion of 25,000 Series B shares that may be acquired by Mr. Okamura pursuant to stock options that are exercisable until December 31, 2014.

(g) Includes 1,500,000 shares of Common Stock issuable upon full conversion of 15,000 Series B shares that may be acquired by Dr. Nicholls pursuant to stock options that are exercisable until December 31, 2014.

(h) Includes 30,000,000 shares of Common Stock that may be acquired by Mr. Perevalov pursuant to options and conversion of Series B stock.

pursuant to stock options that are exercisable until January 17, 2015.

The address for all officers and directors of the Company is 530 Oakmont Lane, Westmont, IL 60559.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file.

Cecil O'Brate, who holds 1,308,535,587 shares of the Company's common stock, filed reports on Form 3 and Form 4 after the time proscribed for the filing of such reports.

The address for all officers and directors of the Company is 530 Oakmont Lane, Westmont, IL 60559.

ITEM 13. Certain Relationships and Related Transactions and Director Independence

At December 31, 2014, the Company had deposits in the amount of $200,000 paid to Neusoft for Attrius® system(s) for which the Company has contracted.

During the period January 1, 2014 through December 31, 2014 the Company converted convertible notes to its former CEO in the amount of $1,300,000 into common stock.

During the period January 1, 2014 through December 31, 2014, the Company converted convertible notes to its CFO in the amount of $350,000 into common stock.

On June 25, 2014, the Company's former CEO converted 10,000,000 shares of Series H Preferred Stock to 277,777,777 shares of common stock.

On June 25, 2014, the CFO converted 2,500,000 shares of Series H Preferred Stock to 69,444,444 shares of common stock.

During the period January 1, 2014 through December 31, 2014, the Company paid $67,000 of consulting fees to the brother of the Company's former CEO, John Rooney.

On September 8, 2014, the Company's former CEO and Chairman of the Board resigned in such capacities. From the date of his resignation as Chairman and CEO through December 22, 2014, the Company paid Patrick Rooney $37,500 for consulting services.

During the period January 1, 2014 through December 31, 2014, the Company repaid $245,500 of related advances to its former CEO.

During the period January 1, 2014 through December 31, 2014, the Company repaid $190,000 of related advances to its CFO.

As of December 31, 2014, $100,000 of convertible debt and $290,000 of advances are owed to the Company's former CEO.

As of December 31, 2014, $310,000 of advances is owed to the Company's CFO.

In September and December 2012, the Company issued two non-interest bearing convertible debentures totaling $380,000 to itsCFO and warrants to purchase 10,500,000 shares of the Company's Common Stock, at an exercise price of $0.01 per share expiring on December 31, 2013. These debentures have since been converted by the CFO into shares of common stock.

Director Independence

We currently use NASDAQ's general definition for determining director independence, which states that "independent director" means a person other than an officer or employee of the company or its subsidiaries or any other individual

having a relationship, that, in the opinion of the company’s Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director.

The Board has determined that two of our five current directors, Sachio Okamura and Dr. Anthony C. Nicholls meet this definition of independence.

ITEM 14. Principal Accountant Fees and Services

The following table shows the fees billed to the Company for the audits and other services provided by Sassetti LLC, its independent registered public accounting firm for the year ended December 31:

	2014	2013
Audit fees (1)	$77,720	$78,835
Tax fees (2)	14,090	13,685
	$91,810	$95,520

(1) Audit fees consist of fees billed for professional services rendered for the audit of the Registrant's annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state and international tax compliance, acquisitions and tax planning.

The Board of Directors has considered the role of Sassetti LLC in providing certain tax services to Positron and has concluded that such services are compatible with Sassetti LLC's independence as our auditors. In addition, the Board of Directors has approved providing certain tax services since the effective date of the SEC rules. The rule states that an auditor is not independent of an audit client if the services it provides to the client are not appropriately approved. The Board of Directors will continue to pre-approve all audit and permissible non-audit services provided by the independent auditors until an audit committee is formed which will then be responsible for approving audit fees. We are looking for new board members that would be qualified to serve on an audit committee.

The Board of Directors has adopted a policy for the pre-approval of services provided by the independent auditors, pursuant to which it may pre-approve any service consistent with applicable law, rules and regulations. Under the policy, the Board of Directors may also delegate authority to pre-approve certain specified audit or permissible non-audit services to one or more of its members, including the Chairman. A member to whom pre-approval authority has been delegated must report its preapproval decisions, if any, to the Board of Directors at its next meeting, and any such pre-approvals must specify clearly in writing the services and fees approved.

Unless the Board of Directors determines otherwise, the term for any service pre-approved by a member to whom pre-approval authority has been delegated is twelve months.

ITEM 15. Exhibits

3.1 Certificate of Formation, as amended (incorporated herein by reference to Appendix A to the Company's Definitive Information Statement filed on December 8, 2014).

3.2 By-laws of the Registrant, as amended (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

4.1 Specimen Stock Certificate (incorporated herein by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-KSB for the year ended December 31, 1994).

4.2 Statement of Designation Establishing Series A 8% Cumulative Convertible Redeemable Preferred Stock of Positron Corporation, dated February 28, 1996 (incorporated herein by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995).

4.3 Statement of Designation Establishing Series B Preferred Stock of Positron Corporation dated September 30, 2006 (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K/A filed on March 4, 2012.)

4.4 Statement of Designation Establishing Series S Convertible Redeemable Preferred Stock of Positron Corporation, dated November 7, 2008 (incorporated herein by reference to Exhibit 2.1 of the Company's Quarterly Report on Form 10-Q for the quarter ending September 30, 2008 filed on November 19, 2008 (File No. 000-24092))

4.5 J007 Omnibus Securities and Incentive Plan (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K/A filed on March 4, 2012)

4.6 Statement of Designation Establishing Series H Junior Convertible Preferred Stock (incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed December 27, 2013).

10.1 International Distribution Agreement dated as of November 1, 1992, by and between Positron Corporation and Batec International, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.2 Amended and Restated License Agreement dated as of June 30, 1987, by and among The Clayton Foundation for Research, Positron Corporation, K. Lance Gould, M.D., and Nizar A. Mullani (incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.3 Clarification Agreement to Exhibit 10.7 (incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.4 Royalty Assignment dated as of December 22, 1988, by and between K. Lance Gould and Positron Corporation (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.5 Royalty Assignment dated as of December 22, 1988, by and between Nizar A. Mullani and Positron Corporation (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.6 Royalty Assignment dated as of December 22, 1988, by and between The Clayton Foundation and Positron Corporation (incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.7 Consulting Agreement dated as of January 15, 1993, by and between Positron Corporation and K. Lance Gould, M.D. (incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.8 Contract No. 1318 dated as of December 30, 1991, by and between Positron Corporation and The University of Texas Health Science Center at Houston (incorporated herein by reference to Exhibit 10.39 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.9 Technology Transfer Agreement dated as of September 17, 1990, by and between Positron Corporation and Clayton Foundation for Research (incorporated herein by reference to Exhibit 10.54 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.10 Software Licenses dated as of March 1, 1993, by and between Positron Corporation and Oxford Instruments (UK) Limited (incorporated herein by reference to Exhibit 10.81 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.11 Distribution Agreement dated as of June 1, 1993, by and between Positron Corporation and Elscint, Ltd. (incorporated herein by reference to Exhibit 10.82 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.12 Agreement made and entered into as of November 15, 1993, by and between Positron Corporation and K. Lance Gould (incorporated herein by reference to Exhibit 10.101 to the Company's Registration Statement on Form SB-2 (File No. 33-68722)).

10.13 First Amendment made and entered as of January 25, 1994, by and between Emory University d/b/a Crawford Long Hospital and Positron Corporation (incorporated herein by reference to Exhibit 10.102 of the Company's Annual Report on Form 10-KSB for the year ended December 31, 1993).

10.14 Acquisition Agreement between General Electric Company and Positron Corporation dated July 15, 1996 (incorporated by reference to Exhibit 10.56 to the Company's Report on Form 10-KSB for the year ended December 31, 1996).

10.15 Sales and Marketing Agreement With Beijing Chang Feng Medical (incorporated by reference to Exhibit 10.58 to the Company's Report on Form 10-KSB/A for the year ended December 31, 1996).

10.16 Agreement and Release dated as of November 30, 1999 by and among Positron Corporation, K. Lance Gould and University of Texas Medical Center (incorporated herein by reference to Exhibit 10.62 to the Company's Registration Statement on Form SB-2 (File No. 333-30316)).

10.17 Technology Purchase Agreement, dated as of June 29, 2003, by and between General Electric Company and Positron Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 14, 2003)

10.18 Software License Agreement, dated as of June 29, 2003, by and between General Electric Company and Positron Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 14, 2003)

10.19 Agreement for Services, dated as of June 29, 2003, by and between General Electric Company and Positron Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 14, 2003)

10.20 Joint Venture Contract dated July 30, 2005 between Positron Corporation and Neusoft Medical Systems Co., Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005)

10.21 Technologies Contribution Agreement dated July 30, 2005 between Positron Corporation and Neusoft Positron Medical Systems Co., Ltd. (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005)

10.22 Software Sub-License Agreement dated September 6, 2005 between Positron Corporation and Neusoft Positron Medical Systems Co., Ltd. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005)

10.23 Trademark License Agreement dated July 30, 2005 between Positron Corporation and Neusoft Positron Medical Systems Co., Ltd. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005)

10.24 Corporate Name License Agreement dated July 30, 2005 between Positron Corporation and Neusoft Positron Medical Systems Co., Ltd. (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005)

10.25 Employment Agreement dated December 27, 2005 between Positron Corporation and Joseph G. Oliverio (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.26 Joseph G. Oliverio Stock Option Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.27 Joseph G. Oliverio Notice of Grant of Stock Option (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.28 Amended and Restated 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.29 J005 Stock Incentive Plan - Form Notice of Grant of Stock Option (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.30 J005 Stock Incentive Plan - Form Stock Option Agreement (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed on March 9, 2006)†

10.31 J006 Stock Incentive Plan (incorporated by reference to the Company's Current Report on Form 8-K filed on , 2006)

10.32 J008 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-152616)).†

10.33 J009 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-162204)).† 2009 Equity Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-165724)).†

14.1 Code of Conduct and Ethics (incorporated by reference to Exhibit 14.1 to the Company’s Annual Report on Form 10-K/A filed December 27, 2010).

21* List of Subsidiaries

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

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement identified pursuant to Item 13(a).

* Filed herewith

Furnished herewith

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(b) Reports on Form 8-K

For the quarter ending December 31, 2014, the Company filed two Current Reports on Form 8-K disclosing the resignation of Patrick G. Rooney as the Company's Chairman and Chief Executive Officer and the appointment of Joseph G. Oliverio as Chairman of the Board of Directors and the appointment of Yuri Perevalov as member of the Board of Directors.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POSITRON CORPORATION

Date: March 31, 2015

By: */s/ Corey N. Conn*
Corey N. Conn
Chief Financial Officer (principal financial officer)

By: */s/ Joseph G. Oliverio*
Joseph G. Oliverio
Chief Technology Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ COREY N. CONN Corey N. Conn	Chief Financial Officer and Director (Principal Financial Officer)	March 31, 2015
/s/ JOSEPH G. OLIVERIO Joseph G. Oliverio	Officer and Director	March 31, 2015

/s/ YURI PEREVALOV Yuri Perevalov	Director	March 31, 2015
/s/ SACHIO OKAMURA Sachio Okamura	Director	March 31, 2015
/s/ ANTHONY C. NICHOLLS Dr. Anthony Nicholls	Director	March 31, 2015

POSITRON CORPORATION AND SUBSIDIARIES

FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

for the years ended December 31, 2014 and 2013

FINANCIAL STATEMENTS

TABLE OF CONTENTS

Sassetti LLC

Certified Public Accountants

The Board of Directors

Positron Corporation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Positron Corporation and Subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Positron Corporation and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a significant accumulated deficit which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainly.

/s/ Sassetti LLC

Oak Park, Illinois

March 31, 2015

6611 W. North Avenue * Oak Park, Illinois 60302 * Phone (708) 386-1433 * Fax (708) 386-0139

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POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$208	$1,744
Accounts receivable, less allowance for doubtful accounts of $171 and $141	175	247
Inventories, less reserve of $513 and $444	330	547
Prepaid expenses	17	35
Total current assets	730	2,573
Property and equipment, less accumulated depreciation of $655 and $503	919	1,044
Intangible assets, less accumulated amortization of $5 and $4	9	10
Other assets	211	255
Total assets	$1,869	$3,882
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, trade and accrued liabilities	$849	$1,401
Customer deposits	-	658
Unearned revenue	27	45
Advances from related parties	600	1,035
Notes payable – current portion	461	98
Convertible debentures, less debt discount of $460 and $1,328	-	4,452
Embedded conversion derivative liabilities	760	6,968
Total current liabilities	2,697	14,657
Notes payable – noncurrent portion	9	466
Total liabilities	2,706	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; 262,485 and 3,056,487 shares issued and outstanding	262	2,750
Series S preferred stock: $1.00 par value; convertible, redeemable; 100,000 shares authorized; 0 and 100,000 shares issued and outstanding	-	100
Series H preferred stock: $0.01 par value; convertible, redeemable; 15,000,000 shares authorized; 0 and 12,500,000 shares issued and outstanding	-	125

Common stock: $0.0001 in 2014 and $0.01 in 2013par value; 9,000,000,000 shares authorized; 5,554,695,123 and 1,452,548,262 shares issued and outstanding	555	14,208
Additional paid-in capital	123,929	94,575
Accumulated deficit	(126,016)	(123,432)
Treasury stock: 60,156 shares at cost	(15)	(15)
Total stockholders' deficit	(837)	(11,241)
Total liabilities and stockholders' deficit	$1,869	$3,882

See accompanying notes to consolidated financial statements

POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended December 31,	
	2014	2013
Sales:	$1,466	$1,630
Costs of sales:	1,362	1,206
Gross profit	104	424
Operating expenses:		
General and administrative	2,190	2,779
Research and development	471	564
Selling and marketing	186	419
Total operating expenses	2,847	3,762
Loss from operations	(2,743)	(3,338)
Other income (expense)		
Interest expense	(1,823)	(2,137)
Derivative gain (loss)	1,237	(665)
Debt modification expense	(9)	(821)
Other income (expenses)	754	(143)
Total other income (expense)	159	(3,766)
Loss before income taxes	(2,584)	(7,104)
Income taxes	-	-
Net loss	(2,584)	(7,104)
Other comprehensive loss Foreign currency translation adjustment	-	143
Other comprehensive loss	$(2,584)	$(6,961)
Basic and diluted loss per common share	$(0.00)	$(0.00)
Basic and diluted weighted average shares outstanding	3,704,479	1,452,364

See accompanying notes to consolidated financial statements

POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands, except share data)

	Series A Preferred Stock		Series B Preferred Stock		Series S Preferred Stock		Series H Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amou
ance December 31, 2012	457,599	$448	3,056,487	$2,750	100,000	$100	-	$-	1,451,927,262	$14,20
ance of Series H ferred stock	-	-	-	-	-	-	12,500,000	125	-	-
ance of common k for services	-	-	-	-	-	-	-	-	621,000	5
se other comprehensive ome	-	-	-	-	-	-	-	-	-	-
ck based compensation - k options	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
ance December 31, 2013	447,652	$448	3,056,487	$2,750	100,000	$100	12,500,000	$125	1,452,548,262	$14,20
version of Series H ferred stock	-	-	-	-	-	-	(12,500,000)	(125)	347,222,221	35
version of Series S ferred stock	-	-	-	-	(100,000)	(100)	-	-	1,000,000,000	100
version of Series B ferred stock	-	-	(2,794,002)	(2,488)	-	-	-	-	279,400,200	28
ance of common k for debt	-	-	-	-	-	-	-	-	2,132,191,107	213
ance of common k for equity	-	-	-	-	-	-	-	-	333,333,333	33
ance of common k for services	-	-	-	-	-	-	-	-	10,000,000	1

ustment for decrease ar value from $0.01 .0001	-	-	-	-	-	-	-	-	-	(14,0
lassification of bedded conversion vative liabilities to C upon conversion onvertible debentures	-	-	-	-	-	-	-	-	-	-
ension of debt rants	-	-	-	-	-	-	-	-	-	-
ck based pensation - stock ons	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
ance December 31, 2014	447,652	$448	262,485	$262	-	$-	-	$-	5,554,695,123	$555

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POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

(In thousands, except share data)

	Additional Paid-In Capital	Other Comprehensive Income	Accumulated Deficit	Treasury Stock Shares		Total
				Shares	Amount	
Balance December 31, 2012	$ 92,795	$ (143)	$ (116,328)	602	$ (15)	$ (6,190)
Issuance of Series H preferred stock	1,125	-	-	-	-	1,250
Issuance of common stock for services	-	-	-	-	-	5
Close other comprehensive income	-	143	-	-	-	143
Stock based compensation - stock options	655	-	-	-	-	655
Net Loss	-	-	(7,104)	-	-	(7,104)
Balance December 31, 2013	94,575	$ -	$ (123,432)	602	$ (15)	$ (11,241)
Conversion of Series H preferred stock	90	-	-	-	-	-
Conversion of Series S preferred stock	-	-	-	-	-	-
Conversion of Series B preferred stock	2,460	-	-	-	-	-
Issuance of common stock for debt	5,766	-	-	-	-	5,979
Issuance of common stock for equity	967	-	-	-	-	1,000
Issuance of common stock for services	34	-	-	-	-	35
Adjustment for decrease in par value from $0.01 to 0.0001	14,063	-	-	-	-	-
Reclassification of embedded conversion derivative liabilities to APIC upon conversion of convertible debentures	5,876	-	-	-	-	5,876
Extension of debt warrants	9	-	-	-	-	9

Stock based compensation - stock options	89	-	-	-	-	89
Net Loss	-	-	(2,584)	-	-	(2,584)
Balance December 31, 2014	$ 123,929	$ -	$ (126,016)	602	(15)	(837)

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POSITRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	$(2,584)	$(7,104)
Adjustment to reconcile net loss to net cash used in operating activities		
Increase in allowance for doubtful accounts	30	91
Depreciation and amortization	152	160
Impairment of intangible asset	-	346
Stock based compensation	89	656
Derivative (gain) losses	(1,237)	665
Debt modification expense	9	821
Common stock issued for services	35	6
Contingent earnout	-	(205)
Accretion of debt discount	1,763	1,970
Inventory reserve	69	(13)
Other		143
Changes in operating assets and liabilities:		
Accounts receivable	42	(65)
Inventories	148	17
Prepaid expenses and other assets	71	(200)
Accounts payable, trade and accrued liabilities	(326)	(233)
Customer deposits	(658)	(88)
Unearned revenue	(18)	(13)
Net cash used in operating activities	(2,415)	(3,046)
Cash flows from investing activities:		
Purchase of property and equipment	(26)	(16)
Net cash used in investing activities	(26	(16)
Cash flows from financing activities:		
Payments on note payable	(90)	(100)
Noninterest bearing advances	-	2,245
Payment of noninterest bearing advances	(435)	-
Payments on capital lease	(3)	(2)
Common stock issued for cash	1,000	-
Proceeds from convertible debt	433	2,520
Payments on convertible debt		(100)

Net cash provided by financing activities	905	4,563
Net decrease in cash and cash equivalents	(1,536)	1,501
Cash and cash equivalents, beginning of period	1,744	243
Cash and cash equivalents, end of period	$208	$1,744
Supplemental cash flow information:		
Interest paid	$33	$39
Allocation of Convertible Debentures to warrants and embedded conversion derivative liability	$433	$3,695
Conversion of advances to series H preferred stock	$-	$1,125
Conversion of convertible debenture, and derivative liability to common stock	$8,364	$-
Conversion of Series B shares to common stock	$2,488	$-
Conversion of Series S shares to common stock	$100	$-
Conversion of Series H shares to common stock	$125	$-
Equipment under capital lease	$-	$16

See accompanying notes to consolidated financial statements

POSITRON CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business:

Positron Corporation (the "Company") was incorporated on December 20, 1983 in the state of Texas and commenced commercial operations in 1986. Positron Corporation is a nuclear medicine healthcare company. The Company offers positron emission tomography molecular imaging systems, clinical and support services, automated radiopharmaceutical systems, radiopharmaceuticals and radioisotope processing and production.

The molecular imaging systems portion of the business provides Positron Emission Tomography (PET) scanners. The automated radiopharmaceutical system portion of the business offers the world's first robotic system for the preparation and dispensing of radiopharmaceuticals that provides unit dose radiopharmaceutical agents used in molecular imaging. The radioisotope manufacturing portion of the business enables the Company to process and produce radioisotope(s) that are critical components required in nuclear imaging.

The Company's objective is to generate revenue by offering inexpensive molecular imaging systems and support services, disease specific software, automated radiopharmaceutical dose preparation and dispensing system, radiopharmaceutical(s) and radioisotope(s) for nuclear medicine primarily in the field of cardiac nuclear medicine.

On January 17, 2012, the Company acquired all of the issued and outstanding membership interest of Manhattan Isotope Technology LLC ("MIT"). See Note 3.

MIT Positron possesses the unique and specialized expertise in all stages of strontium-82 (Sr-82) production and spent generator lifecycle management. The Company has the ability to produce API grade strontium-82 from target material received from its foreign collaborators.

On June 26, 2014, the Company formed C70 Isotopes, Inc., a Texas corporation and wholly-owned subsidiary ("C70"). On July 11, 2014 the Company entered into a non-binding Memorandum of Agreement ("MOA") with a large university located in Texas to develop and operate a 70 megavolt cyclotron facility dedicated to the manufacture of isotopes including research and development and other cyclotron related services. The location of the facility would be on property associated with the university.

Principles of Consolidation:

For the years ended December 31, 2014 and 2013, the financial statements include the transactions of Positron Corporation and its wholly-owned subsidiaries, IPT and MIT, Positron Pharmaceuticals Company and C70. All intercompany transactions have been eliminated.

Basis of Presentation:

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules of the U.S. Securities and Exchange Commission,

All significant intercompany balances and transactions have been eliminated.

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.

Affiliated Entities:

Affiliated entities and their affiliation, as defined by FASB Codification Topic 850 are as follows:

Solaris Opportunity Fund owns or controls common and preferred shares of the Company and its managing member is the former CEO of the Company.

The Company has a 1% ownership interest in the joint venture Neusoft Positron Medical Systems ("Neusoft"). Both the Company and the joint venture's other partner, Neusoft Medical Systems purchase PET systems at a wholesale transfer price from Neusoft. The Company maintains one of five board seats on Neusoft's board. The Company currently accounts for its investment in Neusoft on the cost method and has no recorded value as of December 31, 2014 and 2013 based on prior losses of Neusoft.

Concentrations of Credit Risk:

The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and at times, balances may exceed government insured limits. The Company has never experienced any losses related to these balances.

During the twelve months ended December 31, 2014, no one customer accounted for more than 10% of sales and a separate customer accounted for 75% of accounts receivable. During the twelve months ended December 31, 2013, one customer accounted for 10% of sales and a separate customer accounted for 80% of accounts receivable.

Cash Equivalents and Short-term Investments:

For the purposes of reporting cash flows, the Company considers highly liquid, temporary cash investments with an original maturity period of three months or less to be cash equivalents.

Accounts Receivable:

Accounts receivable consist of amounts due from customers. The Company records a provision for doubtful accounts to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, customer credit worthiness and current economic trends.

Goodwill and Other Intangible Assets:

Accounting Standard Codification ("ASC") 350 "Goodwill and Other Intangible Assets" requires that assets with indefinite lives no longer be amortized, but instead be subject to annual impairment tests. The Company follows this guidance.

The Company tests goodwill that is not subject to amortization for impairment annually or more frequently if events or circumstances indicate that impairment is possible. Goodwill was tested as of December 31, 2013 at which time the Company determined that the carrying value of goodwill was impaired. Impairment loss of $346,000 was recognized during the year ended December 31, 2013. There was no goodwill at December 31, 2014.

Definite lived intangible assets are being amortized over their useful lives.

Inventory:

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method of inventory valuation. Management assesses the recoverability and establishes reserves of the various inventory components on a quarterly basis and is based on the estimated net realizable values of respective finished, in process and raw material inventories.

Property and Equipment:

Property and equipment are recorded at cost and depreciated for financial statement purposes using the straight-line over estimated useful lives below:

	Estimated life, years
Buildings	39
Furniture and fixtures	5-7
Leasehold improvements	1-3
Computer equipment	3-5
Research equipment	7
Machinery and equipment	3-5

Gains or losses on dispositions are included in the statement of operations in the period incurred. Maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets:

Periodically, the Company evaluates the carrying value of its long-lived assets, by comparing the anticipated future net cash flows associated with those assets to the related net book value. If impairment is indicated as a result of such reviews, the Company would record the impairment based on the fair market value of the assets, using techniques such as projected future discounted cash flows or third party valuations.

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.

- 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 December 31, 2014 and 2013 (in thousands):

	Level 1	Level 2	Level 3
Embedded conversion derivative liability			
December 31, 2014	$ -	$ -	$760
December 31, 2013	$ -	$ -	$6,968

The following table reconciles, for the year ended December 31, 2014 and 2013 and 2011, 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, 2012	$3,981
Fair value of embedded conversion derivative liabilities at issuance	1,501
Debt modification expense	821
Loss on fair value adjustments to embedded conversion derivative liabilities	665
Balance of embedded conversion derivative liability as of December 31, 2013	$6,968
Fair value of embedded conversion derivative liabilities at issuance	896
Debt modification expense	9
Gain on fair value adjustments to embedded conversion derivative liability	(1,237)
Reductions in fair value due to conversion of convertible debentures into common stock	(5,876)
Balance of embedded conversion derivative liability at December 31, 2014	$760

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 statement 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.

The derivatives were valued using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2014		December 31, 2013	
Market value of stock on measurement date	$ 0.0014		$ 0.0085	
Risk-free interest rate	0.26	%	0.15	%
Dividend yield	0	%	0	%
Volatility factor	223	%	141	%
Term	1 year		1 year	

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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. When the debt is repaid, the related debt discount is recorded as additional interest expenses and the related derivative liability is relieved into additional paid in capital.

The Company valued the embedded derivative conversion using Black-Scholes method. The debt discount attributable to the embedded conversion derivative liability at issuance or modification during the years ended December 31, 2014 and 2013 was $460,000 and $1,500,000, respectively.

At December 31, 2014, convertible notes totaled $460,000 of which $460,000 was attributable to the discount on debt. These notes originally were set to mature on December 31, 2014 but were extended under existing terms through December 31, 2015.

Income Taxes:

Income taxes are accounted for under the liability method. Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Deferred taxes are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment. We recognize tax benefits when we believe the benefit is more likely than not to be sustained upon review from the relevant authorities. We recognize penalties and interest expense related to unrecognized tax benefits in income tax expense.

The Company’s federal and state tax forms for the years ending December 31, 2011, 2012 and 2013 are subject to examination by the IRS or other taxing authorities, generally for three years after they are filed.

Accumulated Other Comprehensive Income:

During the year ended December 31, 2013 $143,000 of Accumulated other comprehensive income relating to foreign currency translation adjustments associated with transactions denominated in foreign currency was reclassified to net

income.

Revenue Recognition:

The Company's revenues are currently derived from the sale of medical equipment products, maintenance contracts, service revenues and radioisotope sales. 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 and radioisotope 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® PET systems.

For 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.

The Company typically provides a one-year parts and labor warranty to purchasers of equipment. A portion of revenue recorded upon the sale of a new machine is allocated to the warranty provided. At the time of sale, the Company records deferred revenue in the amount of revenue allocated to the warranty which is amortized over a one-year period.

Research and Development Expenses:

All costs related to research and development costs are charged to expense as incurred and include salaries and benefits, supplies and consulting expenses.

Stock Based Compensation:

We recognize compensation expense for share-based awards using the fair value of the option at the time of the grant and amortizing the fair value over the estimated service period on the straight-line attribute method.

Loss Per Common Share:

Basic loss per common share is calculated by dividing net loss by the weighted average common shares outstanding during the period. Stock options, warrants and other dilutive securities are not included in the computation of the weighted average number of shares outstanding for dilutive net loss per common share during each of the periods presented in the Statement of Operations and Comprehensive Income, as the effect would be antidilutive.

Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

Other 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.

2. 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 $126,016,000 and a stockholders' deficit of $837,000 at December 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 utilized $433,000 proceeds from issuance of convertible debt and $1,000,000 proceeds on the sale of common stock for equity to fund operating activities during the year ended December 31, 2014. The Company had cash and cash equivalents of approximately $208,000 at December 31, 2014, accounts payable and accrued liabilities of approximately $849,000 and a negative working capital of $1,967,000. 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.

3. Other Assets

Other assets at December 31, 2014 consisted of $201,000 in deposits paid to our joint venture partner, Neusoft for Attrius® systems and $10,000 in operating lease deposits. Other assets at December 31, 2013 consisted of $201,000 in deposits paid to our joint venture partner, Neusoft for Attrius® systems and $18,000 in operating lease deposits.

4. Inventories

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

	December 31, 2014	December 31, 2013
Finished systems	$ -	$ 24
Raw materials and service parts	422	927
Work in progress	421	40
	843	991
Less: Reserve for obsolete inventory	(513)	(444)
	$ 330	$ 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 December 31, 2014 and December 31, 2013.

5. Property and Equipment

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

	December 31, 2014	December 31, 2013
Buildings	$ 500	$ 500
Furniture and fixtures	88	88
Leasehold improvements	72	72
Computer equipment	76	62
Research equipment	679	667
Machinery and equipment	158	158
	1,573	1,547
Less: Accumulated depreciation	(654)	(503)
	$ 919	$ 1,044

6. Accounts Payable and Accrued Liabilities

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

	December 31, 2014	December 31, 2013
Trade accounts payable	$ 660	$ 849
Accrued royalties	-	87
Accrued interest	59	278
Sales taxes payable	79	89
Accrued compensation	47	70
Other accrued expenses	4	28
Total	$ 849	$ 1,401

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7. 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. Deposit amounts may vary depending on the contract. Included in customer deposits at 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. There was no assurance that this customer would fulfill its order for these devices. Management, under advice of counsel, believes that they have fulfilled their responsibilities under the contract and based on current status have recorded these deposits in other income for the year ended December 31, 2014.

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.

8. Convertible Debt

Convertible Debentures 2013

In December 2013, the Company issued $2,520,000 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. On December 9, 2013, one of the Investors agreed to convert $1,000,000 of his outstanding debt, pending authorization and/or issuance of additional shares of common stock. As of December 9, 2013, there were not enough shares available to convert.

Initial Accounting

Under the initial accounting, the Company separated the Convertible Debentures instrument into debt and the embedded conversion derivative liability. The Company allocated the proceeds to the embedded conversion derivative liability. The fair value of the embedded conversion derivative liability exceeded the proceeds from the Convertible Debentures, which resulted in a debt discount of $1,500,000. 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	$2,520
Allocation of proceeds to embedded conversion derivative liability	(1,500)

Convertible debentures as of December 31, 2013

As of December 31, 2013, the holders of the convertible debentures issued in 2012 agreed to extend those issuances through December 31, 2014. The related Warrants were also extended through December 31, 2014. Approximately $821,000 in expense was recorded for the year ended December 31, 2013 related to modification of the Warrants.

As of December 31, 2013, convertible debt totaled $5,780,000, of which $1,328,000 was attributable to the discount on debt. These notes originally were set to mature on December 31, 2013 but were extended under existing terms through December 31, 2014 or were presented for conversion subsequent to year end.

Convertible Debentures 2014

During 2014, the Company issued $433,000 of convertible debentures (“Convertible Debentures”) to certain investors (“Investors”). The Convertible Debentures do not accrue interest. The debentures were originally scheduled to 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 debt and the embedded conversion derivative liability. The Company allocated the proceeds to the embedded conversion derivative liability. The fair value of the embedded conversion derivative liability exceeded the proceeds from the Convertible Debentures, which resulted in a debt discount of $433,000. 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	$433
Allocation of proceeds to embedded conversion derivative liability	(433)

Converted debentures 2014

During 2014, various investors agreed to convert $5,753,000 of their outstanding debt into common stock. The result was the issuance of 2,132,191,107 shares of common stock

Convertible debentures as of December 31, 2014

As of December 31, 2014, the holders of the convertible debentures issued in 2012 agreed to extend those issuances through December 31, 2015. Certain related Warrants were also extended through December 31, 2015. Approximately $9,000 in expense was recorded for the year ended December 31, 2014 related to modification of the Warrants.

As of December 31, 2014, convertible debt totaled $460,000 of which $460,000 was attributable to the discount on debt. These notes originally were set to mature on December 31, 2014 but were extended under existing terms through December 31, 2015.

During the years ended December 31, 2014 and 2013, the Company recognized interest expense related to Convertible Debentures of $1,763,000 and $1,970,000, respectively. As of December 31, 2014 and December 31, 2013, accrued

interest on Convertible Debentures was $59,218 and $277,542 respectively. Convertible Debentures outstanding as of December 31, 2014 and 2013 were as follows (in thousands):

December 31, 2014	Unrelated parties	Related parties	Total
Convertible debentures- face value	$ 360	$ 100	$460
Debt discount	(360)	(100)	(460)
Total convertible debentures	-	-	$-
Less current portion	-	-	-
Long term portion	$ -	$ -	$-

December 31, 2013	**Unrelated parties**	**Related parties**	**Total**
Convertible debentures- face value	$ 4,030	$1,750	$5,780
Debt discount	(1,328)	0	(1,328)
Total convertible debentures	2,702	1,750	$4,452
Less current portion	(2,702)	(1,750)	(4,452)
Long term portion	$ -	$-	$-

9. 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 February 10, 2015. The note renews annually. The monthly payment to LANB on the promissory note is $10,000, with an interest rate of 5.5%. The Company is currently negotiating with the bank and other institutions to extend the loan, but entire balance is included in current notes payable as of December 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 $32,000 and $35,000 during the years ended December 31, 2014 and 2013, respectively. The note's outstanding amount was $458,000 at December 31, 2014. In September 2014, the banks changed its terms to increase the interest rate to 10.0% with monthly payments of $11,805 and a balloon payment of $453,433 due in February 2015. The Company is currently in default of the note with LANB and is currently negotiating repayment options.

During the twelve months ended December 31, 2013, the Company received $2,285,000 in convertible and short term notes from their former CEO and current CFO to help fund operations. The notes are unsecured and non-interest bearing. As of December 31, 2013, $1,250,000 of the notes/advances were converted to preferred shares (see note 17). The total outstanding notes/advances at December 31, 2013 were $1,035,000. As of December 31, 2014, the Company had outstanding advances of $600,000, from their former CEO and CFO to help fund operations. The notes are unsecured and non-interest bearing.

The Company entered into a capital lease for equipment at interest rate of 7.25%, payable through 2018. The assets and liabilities under the capital lease 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 lease at December 31, 2014 and 2013 was $16,300, with accumulated depreciation of $2,300 and $1,165, respectively.

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

Debt maturities as of December 31,	
2015	$1,061,000
2016	4,000
2017	4,000
2018	1,000
	1,070,000
Less: current portion	1,061,000
Note payable – noncurrent portion, capital leases	$9,000

10. Stockholders' Deficit

2014

On December 22, 2014 the Company amended its Certificate of Formation to amend the number of its authorized shares of common stock, par value $0.0001 per share to 9,000,000,000 and preferred shares to 20,000,000, $0.0001 per share.

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 conversion of convertible promissory notes in the original aggregate amount of $5,403,000, and aggregate of 2,000,000 shares from the conversion of 20,000 shares of the Company's Series B Convertible Preferred Stock into Common Stock, 250,000,000 shares from the conversion of 25,000 shares of the Company's Series S Convertible Redeemable Preferred Stock.

On June 25, 2014, the Company's former CEO converted 10,000,000 shares of the Company's Series H preferred stock to 277,777,777 shares of common stock.

On June 25, 2014, the CFO converted 2,500,000 shares of the Company's Series H preferred stock to 69,444,444 shares of common stock.

On June 25, 2014, the Company issued 10,000,000 shares of common stock for current and future consulting services. The Company recorded $35,000 for consulting services.

In August 2014, the Company issued an aggregate of 726,400,200 share of Common Stock. 116,666,667 shares were issued as a result of conversion of convertible promissory notes in the original aggregate amount of $350,000, and aggregate of 276,400,200 shares from the conversion of 2,764,000 shares of the Company's Series B Convertible Preferred Stock into Common Stock, and sold 333,333,333 shares for $1,000,000.

In October 2014, the Company issued an aggregate of 751,000,000 shares of Common Stock. 1,000,000 shares from the conversion of 10,000 shares of the Company's Series B Convertible Preferred Stock into Common Stock, 750,000,000 shares from the conversion of 75,000 shares of the Company's Series S Convertible Redeemable Preferred Stock.

2013

On April 12, 2013, the Company issued 621,000 shares of common stock for consulting services. On the date of the issuance, the common stock had a fair market value of $0.008 per share. The Company recorded consulting fee expense of $5,000 for the issuance of the shares.

On April 11, 2013, the Company accepted subscriptions from Patrick Rooney, its former Chairman and Chief Executive Officer, and Corey Conn, its Chief Financial Officer and converted certain advances (see note 17) in the amounts of $500,000 and $250,000 respectively for an aggregate investment of $750,000. In consideration of these subscriptions, the Company issued 7,500,000 shares of its newly created Series H Junior Convertible Preferred Stock, par value $0.01 per share (the "Series H Preferred Stock"). In November 2013, the Company accepted a subscription from Patrick G Rooney, former Chairman and CEO to convert additional advances in the amount of $500,000 for 5,000,000 shares of Series H Preferred Stock. The Series H Preferred Stock ranks junior to dividends and distributions of the Company's assets upon liquidation to all previously-issued shares of the Company's capital stock and is not entitled to receive interest or dividends. The Series H Preferred Stock is convertible into shares of the Company's Common Stock at a rate equal to the number of shares of Series H Preferred Stock being converted multiplied by the Original Issuance Price of $0.10 and divided by seventy percent (70%) of the daily weighted volume average price for the three trading days prior to conversion. The Series H Preferred Stock shall be entitled to two hundred (200) votes per share of Series H Preferred Stock on all matters which holders of Common Stock are entitled to vote.

In May 2013 the Board of Directors, subject to the approval of the shareholders of the Company, authorized an amendment to the Company's Certificate of Incorporation in order to effect a reverse split of the Company's common stock in a ratio of 1 for 100 (the "Reverse Split"), reduce the number of authorized shares of capital stock from 3,020,000,000 to 520,000,000 of which 500,000,000 shares will be common stock and 20,000,000 shares will be preferred stock, each par value $0.0001 per share. The shareholders also approved the conversion of the Company to a Delaware corporation. These actions are not effective.

11. 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.

In January 2010 the Company granted certain employees options to purchase 2,500,000 shares of Series B Preferred stock at an exercise price of $1.00 per share (the "Preferred Options".) The options vested immediately and have a term of three years. Accordingly, in January 2010 the Company recorded compensation expense of $2,500,000 for the Preferred Option grants. At December 31, 2013 430,000 of these options expired and 2,070,000 were extended for one year, for which the Company recorded compensation expense of $567,567. At December 31, 2014, 700,000 of these options expired and 1,370,000 were extended for one year. The Company recorded compensation expense of $89,572 for the extended Preferred Option grants. Fair market value using the Black-Scholes option-pricing model was determined using the following assumptions:

	2014	2013
Expected life (years)	1	1
Risk free rate of return	0.11%	0.11%
Dividend yield	0	0
Expected volatility	233 %	200 %

A summary of Series B Preferred stock option activity is as follows:

	Shares Issuable Under Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2012	2,500,000	$ 1.00
Expired/forfeited	(430,000)	1.00

Balance at December 31, 2013	2,070,000	$ 1.00
Expired/forfeited	(700,000)	1.00
Exercised	-	-
Balance at December 31, 2014	1,370,000	$ 1.00
Exercisable, December 31, 2014	1,370,000	$ 1.00

On January 17, 2012, Positron's Board of Directors (the “Board”) adopted the 2012 Equity Incentive Plan ("2012 Plan"), authorizing issuance of 200,000,000 stock options to purchase shares of the Company’s common stock.

As of December 31, 2012, the Company had a total of 190,600,000 options outstanding with 9,400,000 options available for issuance under the 2012 Plan. Fifty (50) percent of the outstanding options were fully vested and the remaining fifty (50) percent vest on January 17, 2013. All the options issued under the 2012 Plan expire on January 17, 2015. In 2015, the Board extended the outstanding options to January 17, 2020 under the existing terms. A compensation charge will be recorded in the first quarter of 2015.

A summary of common stock option activity is as follows:

	Shares Issuable Under Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2012	190,600,000	$ 0.01
Expired/forfeited	(2,500,000)	0.01
Balance at December 31, 2013	188,100,000	$ 0.01
Expired/forfeited	(80,500,000)	0.01
Exercised	-	-
Balance at December 31, 2014	107,600,000	$ 0.01
Exercisable, December 31, 2014	107,600,000	$ 0.01

Warrants

A summary of warrant activity based on common stock equivalents is as follows:

	Number of Shares	Exercise Price	Weighted Average Exercise Price
Balance at December 31, 2012	267,350,000	$0.01-0.15	$ 0.03
Warrants exercised	-	-	-
Warrants expired	(144,850,000)	$0.01-0.15	$ 0.02
Balance at December 31, 2013	122,500,000	$0.01-0.12	$ 0.01
Warrants exercised	-	-	-
Warrants expired	(9,500,000)	0.01-0.12	$ 0.01
Balance at December 31, 2014	13,000,000	$0.01	$ 0.01

All outstanding warrants are currently exercisable. A summary of outstanding common stock warrants at December 31, 2014 follows:

Number of Common	**Expiration Date**	**Remaining Contractual Life (Years)**	**Exercise Price**

Stock Equivalents			
13,000,000	(b)	1.00	$ 0.01

(a) Warrants expire six months after the date on which a registration statement is filed and accepted by the Securities Exchange Commission permitting a sale of the shares issuable upon exercise of the warrant.

(b) Warrants were originally set to expire on December 31, 2014, but were extended by the Company through December 31, 2015.

Preferred Stock

The Company's Certificate of Formation, as amended, authorizes the issuance of 20,000,000 shares of preferred stock from time to time in one or more series. The Board of Directors is authorized to determine, prior to issuing any such series of preferred stock and without any vote or action by the shareholders, the rights, preferences, privileges and restrictions of the shares of such series, including dividend rights, voting rights, terms of redemption, the provisions of any purchase, retirement or sinking fund to be provided for the shares of any series, conversion and exchange rights, the preferences upon any distribution of the assets of the Company, including in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the preferences and relative rights among each series of preferred stock. The Board of Directors has designated the following series of preferred stock.

Series A Preferred Stock

The Company had 7,900,000 shares of Series A Preferred Stock authorized for issuance. Subject to adjustment based on issuance of shares at less than fair market value, each share of the Series A Preferred Stock was initially convertible into one share of common stock. Each Redeemable common stock Purchase Warrant is exercisable at a price of $2.00 per share of common stock. Eight percent (8%) dividends on the Series A Preferred Stock may be paid in cash or in Series A Preferred Stock at the discretion of the Company. The Series A Preferred Stock is senior to the Company's common stock in liquidation. Holders of the Series A Preferred stock may vote on an as if converted basis on any matter requiring shareholder vote. While the Series A Preferred Stock is outstanding or any dividends thereon remain unpaid, no common stock dividends may be paid or declared by the Company. The Series A Preferred Stock may be redeemed in whole or in part, at the option of the Company, at any time subsequent to March 1998 at a price of $1.46 per share plus any undeclared and/or unpaid dividends to the date of redemption. Redemption requires at least 30 days advanced notice and notice may only be given if the Company's common stock has closed above $2.00 per share for the twenty consecutive trading days prior to the notice.

As of December 31, 2014 and 2013, there were 447,652 shares of Series A Preferred Stock outstanding.

Series B Preferred Stock

As of December 31, 2012, the Company has 9,000,000 shares of Series B Preferred Stock authorized for issuance. Each share of Series B Preferred Stock $1.00 par value is convertible into 100 shares of the Company's Common Stock. The Series B Preferred Stock is senior to the Company's Common Stock and junior in priority to the Company's A and G Preferred Stock in liquidation. Holders of the Series B Preferred Stock are entitled to 100 votes per share on all matters requiring shareholder vote. While Series B Preferred Stock is outstanding no Common Stock dividends may be paid or declared by the Company. The Series B Preferred Stock may be redeemed in whole or in part, at the

option of the Company, at any time at a price of $1.00 per share.

As of December 31, 2014 and 2013, 272,000 and 3,056,487 shares of Series B Preferred Stock were outstanding, respectively.

Series G Preferred Stock

The Company has designated 3,000,000 shares of preferred stock as Series G Preferred Stock $1.00 par value. Each share of Series G Preferred Stock is convertible into 100 shares of common stock. The Series G Preferred Stock is senior to the Company's common stock and junior in priority to the Registrant's Series A, C, D, E and F Preferred Stock in liquidation. Except as required by law and in the case of various actions affecting the rights of the Series G Preferred Stock, holders of the Series G Preferred Stock are not entitled to vote on matters requiring shareholder vote. While the Series G Preferred Stock is outstanding or any dividends thereon remain unpaid, no common stock dividends may be paid or declared by the Company. The Series G Preferred Stock may be redeemed in whole or in part, at the option of the Company, at any time at a price of $5.00 per share plus any undeclared and/or unpaid dividends to the date of redemption.

As of December 31, 2014 and 2013, there are no shares of Series G Preferred Stock outstanding.

Series S Preferred Stock

As of December 31, 2012, the Company has 10,000 shares of Series S Preferred Stock authorized for issuance. Each share of Series S Convertible Preferred Stock, $1.00 par value per share, is convertible into 10,000 shares of the Company’s Common Stock, subject to adjustment The Series S Preferred Stock is senior to the Company’s Common Stock and junior in priority to the Company’s A, B and G Preferred Stock in liquidation. Holders of the Series S Preferred Stock are entitled to 10,000 votes per share on all matters requiring shareholder vote. While Series S Preferred Stock is outstanding no Common Stock dividends may be paid or declared by the Company.

As of December 31, 2014 and 2013, 0 and 100,000 shares of Series S Convertible Preferred Stock were outstanding.

Series H Preferred Stock

As of December 31, 2013, the Company has 15,000,000 shares of Series H Preferred Stock authorized for issuance at par value of $0.01 per share. The Series H Preferred Stock rank junior to dividends and distributions of the Company's assets upon liquidation to all previously-issued shares of capital stock of the Company and is not entitled to receive interest or dividends. The Series H Preferred Stock is convertible into shares of the Company's Common Stock at a rate equal to the number of shares of Series H Preferred Stock being converted multiplied by the Original Issuance Price of $0.10 and divided by seventy percent (70%) of the daily weighted volume average price for the three trading days prior to conversion. The Series H Preferred Stock is entitled to two hundred (200) votes per share of Series H Preferred Stock on all matters which holders of Common Stock are entitled to vote.

As of December 31, 2014 and 2013, 0 and 12,500,000 shares of Series H Preferred Stock were outstanding, respectively.

12. Other Expenses

During the years ended December 31, 2014 and 2013, the Company recorded other income of approximately $159,000 and expenses of approximately $3,766,000, respectively. Other expenses include interest expense, derivative expenses and other gains and losses.

Interest expense was $1,823,000 and $2,137,000 for the years ended December 31, 2014 and 2013, respectively. $1,763,000 and $1,970,000 of the total interest expense for the years ended December 31, 2014 and 2013, respectively, was related to the accretion of debt discount associated with convertible debt.

For the years ended December 31, 2014 and 2013, the Company recorded gains of approximately $1,237 and losses of approximately $665,000, respectively, on fair value adjustments to embedded conversion derivative liability associated with the convertible debt. Debt modification expense was $9,000 and $821,000 for the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2013 the Company recorded other expenses of $143,000, which is made up of foreign currency translation losses reclassified out of accumulated other comprehensive income. During the year ended December 31, 2014 the Company recorded other income of $754,000, which is made up recognizing deposits on certain prior machine orders as income and the write off of certain prepaid and accrued expenses.

13. 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 December 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):

	December 31, 2014	December 31, 2013
Numerator		
Basic and diluted loss	$(2,584)	$(7,104)
Denominator		
Basic and diluted earnings per share - weighted average shares outstanding	3,704,479	1,452,364
Basic and diluted income (loss) per common share	$(0.00)	$(0.00)

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

	December 31, 2014	December 31, 2013
Convertible Series A preferred stock	448	448
Convertible Series B preferred stock	26,248	305,648
Convertible Series S preferred stock	-	1,0000,000
Convertible Series H preferred stock	-	482,625
Stock warrants	13,000	122,500
Convertible debt	1,083,096	2,693,553
Common stock options	107,600	188,100
Series B preferred stock options	137,000	207,000

14. Income Taxes

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of December 31, 2014, the Company had domestic net operating loss (“NOL”) carryforwards for income tax purposes of approximately $55,340,000 which expire in 2015 through 2034. Under the provisions of Section 382 of the Internal Revenue Code greater than 50% ownership changes that occurred in the Company may significantly limit the Company’s ability to utilize its NOL carry forwards to reduce future taxable income and related tax liabilities.

Section 382 allows an owner shift any time there is a transfer of stock by a person who directly, or indirectly, owns more than 5% of the corporation and the percentage of stock of the corporation owned by one or more five percent shareholders has increased, in the aggregate, by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the "testing period." The "testing period" is generally a three-year period ending on the date of any owner or equity structure shift.

The amount of post-change income that may be offset by pre-change losses is limited each year by the "Section 382 Limitation." Generally, the Section 382 Limitation is an amount equal to the value of the old loss corporation multiplied by a long-term interest rate established monthly by the Internal Revenue Service. The Company has not yet determined the qualifying events and resulting limitation that may impact utilization of net operating losses against future periods.

The composition of deferred tax assets and the related tax effects at December 31, 2014 and 2013 are as follows (in thousands):

	December 31, 2014	December 31, 2013
Domestic net operating losses	$ 20,092	$ 18,816
Stock option compensation	30	223
Book/tax differences in fixed assets	31	27
Accrued liabilities and reserves	267	327
	20,420	19,393
Valuation allowance	(20,420)	(19,393)
	$ -	$ -

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The difference between the income tax benefit in the accompanying statement of operations and the amount that would result if the U.S. Federal statutory rate of 34% were applied to pre-tax loss is as follows (amounts in thousands):

	December 31, 2014	%	December 31, 2013	%
Benefit for income taxes at federal statutory rate	$ 878	34	2,415	34
Derivative losses	420	16	(226)	(3)
Discount amortization and other	(599)	(23)	(949)	(13)
Change in rates and other	328	13	(2,286)	(32)
Change in valuation allowance	(1,027)	(40)	1,046	14
	-	-	-	-

15. 401(k) Plan

The Positron Corporation 401(k) Plan and Trust (the "Plan") covers all of the Company's employees who are United States citizens, at least 21 years of age and have completed at least one quarter of service with the Company. Pursuant to the Plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit and have the amount of such reduction contributed to the Plan. The Plan allows for the Company to make discretionary contributions in an amount equal to 25 percent of the participant's deferral contributions, up to 6 percent of the employee's compensation, as defined in the Plan agreement. The Company made no contributions in 2014 and 2013. The Board of Directors of the Company may authorize additional discretionary contributions; however, no such contributions were made by the Company in 2014 or 2013.

16. Related Party Transactions

2014

During the period January 1, 2014 through December 31, 20214 the Company converted convertible notes to its former CEO in the amount of $1,300,000 to common stock.

During the period January 1, 2014 through December 31, 2014, the Company converted convertible notes to its CFO in the amount of $350,000 to common stock.

On June 25, 2014, the Company's former CEO converted 10,000,000 shares of Series H preferred stock to 277,777,777 shares of common stock.

On June 25, 2014, the CFO converted 2,500,000 shares of Series H preferred stock to 69,444,444 shares of common stock.

During the period January 1, 2014 through December 31, 2014, the Company repaid $245,500 to its former CEO from related advances.

During the period January 1, 2014 through December 31, 2014, the Company repaid $190,000 to its CFO from related advances.

As of December 31, 2014, $100,000 of convertible debt and $290,000 of advances are owed to the Company's former CEO.

As of December 31, 2014, $310,000 of advances is owed to the Company's CFO.

On September 8, 2014, the Company's former CEO and Chairman of the Board resigned in such capacities. From the date of his resignation as CEO through December 22, 2014, the Company paid Patrick Rooney $37,500 for consulting services.

During the year ended December 31, 2014, the Company paid $67,000 of consulting fees to the brother of the Company's former CEO, John Rooney.

2013

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

During June 2013 the Company accepted a non-interest bearing $185,000 advance from its former CEO. At the time, the Company issued no shares or warrants in connection with this transaction.

On April 4, 2013 the Company accepted a non-interest bearing $150,000 advance from its CFO. At the time, the Company issued no shares or warrants in connection with this transaction.

On April 11, 2013, the Company converted certain advances from its former CEO and CFO in the amounts of $ 500,000 and $ 250,000, respectively, into Series H preferred shares (see note 15).

On May 22, 2013 the Company accepted a non-interest bearing $150,000 advance from its CFO. At the time, the Company issued no shares or warrants in connection with this transaction.

On June 21, 2013 the Company accepted a non-interest bearing $100,000 advance from its CFO. At the time, the Company issued no shares or warrants in connection with this transaction.

On August 16, 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 August 26, 2013 the Company accepted a non-interest bearing $250,000 advance from its former CEO. At the time, the Company issued no shares or warrants in connection with this transaction.

On November 2, 2013 the Company accepted a non-interest bearing $100,000 advance from its former CEO. At the time, the Company issued no shares or warrants in connection with this transaction.

On November 7, 2013, the Company converted certain advances from its former CEO in the amount of $500,000, into Series H preferred shares (see note 15).

During 2013, the Company paid $201,000 in deposits to the joint venture partner, Neusoft, for Attrius ® Systems.

17. 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. The Company is currently negotiating an extension.

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. In March 2015, the Company and the landlord agreed to a termination of the lease and vacation of the premises effective April 30, 2015. The Company will take a charge to income in the first quarter 2015 for the remaining lease term and other closure items.

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 $85,525.98 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. Upon determination of the disposition of the Company’s security deposit, the terms of the judgment will be completed.

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

On October 8, 2014, the Company accepted service of a Summons and Complaint in an action commenced by the Securities and Exchange Commission (the “Commission), in the United States District Court for the Southern District of Florida. The complaint alleges the Company’s former Chairman, CEO and principal stockholder and the Company engaged in fraudulent activity to manipulate the Company’s stock. The complaint alleges that the former CEO was involved in compensating a confidential informant, who was a former consultant to the Company, $1,000 to encourage interest and buying in the Company’s stock. The Commission's complaint alleges that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rules 10b-5(a) and 10b-5(c). The Commission is seeking injunctions from future violations and civil money penalties against the

Company. Without admitting or denying the allegations in the complaint, the Company entered into a settlement with the Commission and agreed not to violate Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act and to have the determination of any monetary penalty be decided in a judicial hearing which has not yet been scheduled.

On March 16, 2015, the Company received notice from that it had defaulted on its obligations under a note payable to Los Alamos National Bank ("LANB") in the original principal amount of $700,000. The note's outstanding amount was $458,000 at December 31, 2014. In September 2014, the banks changed its terms to increase the interest rate to 10.0% with monthly payments of $11,805 and a balloon payment of $453,433 due in February 2015. The Company is currently negotiating repayment options.

18. Selected Quarterly Financial Data (Unaudited) (in thousands)

	Quarter ended March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Net Sales	$456	$ 355	$ 396	$ 259
Gross profit (loss)	28	45	4	27
Net loss	(861)	(201)	(1,436)	(86)
Net earnings (loss) per share - basic and diluted	$(0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average basic and diluted shares	1,452,548	3,452,521	4,365,383	5,538,189

	Quarter ended March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Net Sales	$371	$ 432	$ 351	$ 476
Gross profit (loss)	125	14	121	164
Net loss	(1,201)	(1,088)	(1,390)	(3,425)
Net earnings (loss) per share - basic and diluted	$(0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average basic and diluted shares	1,451,927	1,452,425	1,452,548	1,452,548

19. Segments

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. 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 segment is 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):

	Year Ended December 31,	
	2014	2013
Total Sales:		
Medical equipment	$1,449	$1,630
Radiopharmaceuticals	17	-
Total sales	$1,466	$1,630
Operating loss:		
Medical equipment	$(2,076)	$(2,486)
Radiopharmaceuticals	(508)	(862)
Unallocated	-	-
Total operating loss	$(2,584)	$(3,338)
Total assets:		
Medical equipment	$1,337	$3,373
Radiopharmaceuticals	532	509
Unallocated	-	-
Total assets	$1,869	$3,882

20. 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:

In February 2015, the Company issued an aggregate of 155,138,888 share of Common Stock. 15,000,000 shares were issued for consulting services performed, the common stock had a fair market value of $0.0019 per share, the Company recorded $28,500 for consulting services, 1,250,000 shares were issued from the conversion of 12,500 shares of the Company’s Series B Convertible Preferred Stock into Common Stock, and sold 138,888,888 shares for $250,000.