POSITRON CORP
Form 10QSB
August 14, 2003

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

Commission file number: 0-24092

[GRAPHIC OMITED]
POSITRON

Positron Corporation
A Texas Corporation
I.D. No. 76-0083622

1304 Langham Creek Drive, Suite 300, Houston, Texas 77084
(281) 492-7100

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of June 30, 2003, there were 53,173,303 shares of the Registrant's Common Stock, $ .01 par value outstanding.

Transitional Small Business Disclosure Format. Yes ___ No X

POSITRON CORPORATION
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POSITRON CORPORATION
CONDENSED BALANCE SHEET

JUNE 30, 2003
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 120
Accounts receivable, net	259
Inventories	1,329
Prepaid expenses	67
Other current assets	36
Total current assets	1,811
Property and equipment, net	265
Total assets	$ 2,076

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable, trade and accrued liabilities	$ 1,519
Customer deposits	75
Unearned revenue	111
Current portion of capital lease obligation	11
Total current liabilities	1,716
Stockholders' equity:	
Series A Preferred Stock: $1.00 par value; 8% cumulative, convertible, redeemable; 5,450,000 shares authorized; 510,219 shares issued and outstanding	510
Common Stock: $0.01 par value; 100,000,000 shares authorized; 53,233,459 shares issued and 53,173,303 shares outstanding	532
Additional paid-in capital	55,183
Subscription receivable	(30)
Accumulated deficit	(55,820)
Treasury Stock: 60,156 shares at cost	(15)
Total stockholders' equity	360
Total liabilities and stockholders' equity	$ 2,076

See accompanying notes

POSITRON CORPORATION
CONDENSED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended		Six Months En
	June 30, 2003	June 30, 2002	June 30, 2003
Revenues:			
System sales	$ --	$ 2,169	$ 3,425
Upgrades	265	--	265
Service and component	336	315	678
Total revenues	601	2,484	4,368
Costs of sales and services:			
System sales	155	2,174	3,016
Upgrades	95	--	95
Service, warranty and component	178	161	344

Total costs of revenues	428	2,335	3,455	
Gross profit	173	149	913	
Operating expenses:				
Research and development	208	267	452	
Selling and marketing	105	146	176	
General and administrative	353	545	714	
Total operating expenses	666	958	1,342	
Loss from operations	(493)	(809)	(429)	
Other income (expense)				
Gain on sale of Cardiac PET Software	2,376	--	2,376	
Interest income	--	1	--	
Interest expense	(49)	(101)	(100)	
Deposit forfeiture	--	50	--	
Total other income (expense)	2,327	(50)	2,276	
Net income (loss)	$ 1,834	$ (859)	$ 1,847	$
Basic and diluted loss per common share	$ 0.03	$ (0.01)	$ 0.03	$
Weighted average number of basic and diluted common shares outstanding	62,074	62,173	62,124	

See accompanying notes

POSITRON CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended	
	June 30, 2003	June 30, 2002
Cash flows from operating activities:		

Net income (loss)	$ 1,847	$(1,370)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation	43	46
Amortization	--	100
Gain on sale of Cardiac PET Software	(2,376)	--
Changes in operating assets and liabilities:		
Accounts receivable	820	(306)
Inventory	1,955	1,842
Prepaid expenses	16	(10)
Other current assets	47	33
Accounts payable and accrued liabilities	68	(174)
Customer deposits	(2,313)	(395)
Unearned revenue	(67)	(166)
Net cash provided by (used in) operating activities	40	(400)
Cash flows from investing activities:		
Capital expenditures	(5)	(7)
Net cash used in investing activities	(5)	(7)
Cash flows from financing activities:		
Repayment of capital lease obligation	(22)	(20)
Net cash used in financing activities	(22)	(20)
Net increase (decrease) in cash and cash equivalents	13	(427)
Cash and cash equivalents, beginning of period	107	635
Cash and cash equivalents, end of period	$ 120	$ 208

See accompanying notes

POSITRON CORPORATION
SELECTED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules of the U.S. Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report Form 10-KSB for Positron Corporation (the "Company") for the year ended December 31, 2002. In the opinion of management, all adjustments, consisting of normal recurring adjustments,

necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year ended December 31, 2002, as reported in the Form 10-KSB, have been omitted.

Certain prior period amounts have been reclassified to conform to current period presentation.

2. ACCOUNTING POLICIES AND NEW PRONOUNCEMENTS

REVENUE RECOGNITION

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

SFAS NO. 149

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. The changes in this Statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly, and will result in more consistent reporting of contracts as either derivatives or hybrid instruments. The implementation of SFAS No. 149 did not impact the Company's financial position or results of operations.

SFAS NO. 150

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires the issuer to classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. The implementation of SFAS No. 150 did not impact the Company's financial position or results of operations.

3. SALE OF CARDIAC PET SOFTWARE

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

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

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

Effective June 29, 2003, the Company entered into a Technology Purchase Agreement to transfer its Cardiac PET Software to GE in exchange for cancellation of the indebtedness under this loan and the surrender of the 9,000,000 shares of common stock and the warrant to purchase 6,000,000 shares of common stock. The Company recognized a gain of $2,376,000 related the sale of this technology. This gain resulted from the cancellation of the Company's obligation for $2,000,000 in principal and accrued interest of $376,000 under the loan. The Company's future commitment to provide assistance to GE for the purpose of fully utilizing and exploiting this technology, as well as the compensation for these services, were provided for in a separate service agreement discussed below.

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

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

4. INVENTORIES

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

Raw materials	$ 1,045

Work in progress	384
Subtotal	1,429
Less reserve for obsolescence	(100)
Total	$ 1,329

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Trade accounts payable	$ 362
Accrued royalties	303
Accrued property taxes	258
Accrued professional fees	180
Sales taxes payable	129
Accrued compensation	105
Accrued rent	97
Accrued warranty costs	60
Other accrued liabilities	25
Total	$ 1,519

6. EARNINGS PER SHARE

Basic earnings per common share are based on the weighted average number of common shares outstanding in each period and earnings adjusted for preferred stock dividend requirements. Diluted earnings per common share assume that any dilutive convertible preferred shares outstanding at the beginning of each period were converted at those dates, with related interest, preferred stock dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options and warrants for which market price exceeds exercise price, less shares which could have been purchased by the Company with related proceeds. The convertible preferred stock and outstanding stock options and warrants were not included in the computation of diluted earnings per common share for the three and six month periods ended June 30, 2002 since it would have resulted in an antidilutive effect.

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

Three Months Ended	Six Months Ended

	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(In Thousands, except per share data)			
Numerator				
Basic and diluted income (loss)	$ 1,834	$ (859)	$ 1,847	$(1,370)
Denominator				
Basic earnings per share-weighted average shares outstanding	62,074	62,173	62,124	62,173
Basic and diluted income (loss) per Common share	$ 0.03	$ (0.01)	$ 0.03	$ (0.02)

7. LITIGATION

PROFUTURES CAPITAL BRIDGE FUND, L.P.

On September 26, 2000, ProFutures Bridge Capital Fund, L.P. ("ProFutures") filed a complaint against the Company in Colorado state court for declaratory relief and breach of contract (the "Complaint"). The Complaint alleged that the Company breached four stock purchase warrants issued to ProFutures on the basis that the Company failed to notify ProFutures of dilutive events and failed to register the full number of shares ProFutures as allegedly entitled to purchase under the warrants when, on February 14, 2000, the Company registered 1,500,000 shares of stock underlying ProFutures' warrants instead of 4,867,571. The Complaint further alleged that the

Company's issuance of shares of common stock to Imatron, Inc. on or about January 22, 1999, (the "Imatron Transaction") was a dilutive event pursuant to the anti-dilution clauses of the four stock purchase warrants. The Complaint sought declarations that the consideration received by the Company in the Imatron Transaction increased the number of shares issuable under the warrants, the Company breached the warrants by failing to notify ProFutures of the Imatron Transaction and its effect on ProFutures' warrants at the time of the Imatron Transaction and that the Company further breached the warrants by failing to register the number of shares ProFutures alleged were purchasable under its warrants. The Complaint sought an unspecified amount of monetary damages.

The Colorado State level case of ProFutures v. Positron, District Court, City and County of Denver, Colorado, Case No. 00CV7146, was tried before the Court in June 2002. The Court issued its Findings of Fact, Conclusions of Law and Judgment on November 13, 2002. The Court agreed with Positron's determination of the value of the consideration paid for the shares issued to Imatron and that there was no evidence of fraud by Positron. The Court agreed with ProFutures that Positron breached the 1996 stock purchase warrant with ProFutures by failing to give ProFutures written notice stating the adjusted exercise price and the new number of shares deliverable as a result of the Imatron Transaction and by failing to register the shares to which ProFutures was entitled under the warrant as a

result of the Imatron Transaction. Nevertheless, the Court also found that ProFutures' alleged damages were uncertain and speculative and the ProFutures was not entitled to recover actual damages. Therefore ProFutures was awarded $1 in nominal damages. ProFutures has appealed the trial Court's findings and Positron has cross-appealed. Those appeals are presently pending before the Court of Appeals, State of Colorado.

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

CHINA XINXING

In July 2001 and February 2002, the Company received demands from China Xinxing Shanghai Import and Export Company ("China Xinxing"), a company located in Shanghai, China, for payment of an arbitration award in favor of China Xinxing and against the Company, in the total amount of approximately $297,000. The award was rendered on or about August 25, 2000 by arbitrators affiliated with the Shanghai Sub-commission of the China International Economic and Trade Arbitration Commission (CIETAC Case No. SM9872, Award No. (2000) HMZZ 1154). The award represents the amount of a refund (together with arbitration costs) of an advance payment made by China Xinxing under a contract with the Company dated September 12, 1996. In August 2002, China Xinxing filed suit in the United States to obtain confirmation and enforcement of the award.

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

10P10, L.P.

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

beginning November 10, 2003.

8. SUPPLEMENTAL CASH FLOW DATA

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Supplemental disclosure of cash flow information (In thousands):				
Cash paid for interest	$ 1	$ 2	$ 1	$ 7
Cash paid for income taxes	$ --	$ --	$ --	$ --

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

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

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

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

We earned income of $1,834,000 for the three months ended June 30, 2003 compared to a loss of $859,000 for the same quarter in 2002. The income achieved in the first quarter of 2003 resulted primarily from $2,376,000 in earnings related to the sale of our Cardiac PET Software.

We did not sell any systems during the quarter ended June 30, 2003. This compares to the sale of two systems for $2,169,000 in the same quarter in 2002. We earned revenues of $265,000 from upgrades of systems in the second quarter of 2003 compared to no revenues from system upgrades in the same three-month period in the previous year. Our service revenues increased $21,000 to $336,000 in the three months ended June 30, 2003 from $315,000 in the same period in 2002.

We generated gross profits of $173,000 during the three months ended June 30, 2003 compared to $149,000 for the same three months in 2002. We earned profits of $170,000 from upgrades of systems and $158,000 from customer service in the second quarter of 2003, offset by $155,000 in expense related to manufacturing labor and overhead. This compares to profits of $154,000 from customer service, offset by a loss of $5,000 on the sale of two systems in the same quarter in 2002.

Our operating expenses decreased $292,000 to $666,000 for the three months ended June 30, 2003 from $958,000 for the same period in 2002. Research and development expenses declined $59,000 to $208,000 from $267,000 primarily due to the reduction in the use of outside consultants. Legal fees decreased $223,000 to $45,000 the quarter ended June 30, 2003 from $268,000 in the same period in 2002, as a result of the reduction in legal activities associated with litigation.

Interest expense decreased $52,000 to $49,000 in the second quarter of 2003 from $101,000 from the same period in 2002. Interest expense in the quarter ended June 30, 2002 included $50,000 of loan cost amortization.

We generated earnings of $2,376,000 from the sale of our Cardiac PET Software in the three month period ended June 30, 2003.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

We earned income of $1,847,000 for the six months ended June 30, 2003 compared to a loss of $1,370,000 for the same period in 2002. The income achieved in the first six months of 2003 resulted primarily from $2,376,000 in earnings related to the sale of our Cardiac PET Software.

We generated revenues of $3,425,000 on the sale of three systems during the six month period ended June 30, 2003. This compares to revenues of $3,319,000 from the sale of three systems in the same period in 2002. We earned revenues of $265,000 from upgrades of systems in the six month period ended June 30, 2003 compared to no revenues from system upgrades in the same six month period in the previous year. Our service revenues increased $17,000 to $678,000 in the six months ended June 30, 2003 from $661,000 in the same period in 2002.

We generated gross profits of $913,000 during the six months ended June 30, 2003 compared to $407,000 for the same six-month period in 2002. We earned profits of $564,000 from the sale of three systems, $170,000 from upgrades of systems and $334,000 from customer service in the first six months of 2003, offset by $155,000 in expense related to manufacturing labor and overhead. This compares to profits of $47,000 from the sale of three systems and $360,000 from customer service in the same period in 2002.

Our operating expenses decreased $280,000 to $1,342,000 for the six months ended June 30, 2003 from $1,622,000 for the same period in 2002. Research and development expenses declined $80,000 to $452,000 from $532,000 primarily due to the reduction in the use of outside consultants. Legal fees decreased $331,000 to $51,000 the six-month period ended June 30, 2003 from $382,000 in the same period in 2002, as a result of the reduction in legal activities associated with litigation.

Interest expense decreased $107,000 to $100,000 in the six month period ended June 30, 2003 from $207,000 from the same period in 2002. Interest expense in the six-month period ended June 30, 2002 included $100,000 of loan cost amortization.

We generated earnings of $2,376,000 from the sale of our Cardiac PET Software in

the six month period ended June 30, 2003.

FINANCIAL CONDITION

We had cash and cash equivalents of $120,000 and accounts receivable of $259,000 on June 30, 2003. On the same date, we had accounts payable and accrued liabilities outstanding of $1,519,000. We did not sell any imaging systems in the second quarter of 2003. In order to resolve our liquidity problems, we must sell imaging systems or seek alternative sources of debt or equity funding. However, there is no assurance that we will be successful in selling new systems or securing additional debt or equity funds.

Since inception, we have been unable to sell our POSICAM(TM) systems in quantities sufficient to be operationally profitable. Consequently, we have sustained substantial losses. Due to the sizable selling prices of our systems and the limited number of systems sold or placed into service each year, revenues have fluctuated significantly from year to year. We have an accumulated deficit of $55,820,000 at June 30, 2003. The Company will need to increase system sales to achieve continued profitability.

These events raise doubt as to our ability to continue as a going concern. The report of our independent public accountants, which accompanied our financial statements for the year ended December 31, 2002, was qualified with respect to that risk. If we are unable to obtain debt or equity financing to meet our cash

needs we may have to severely limit our cease our business activities or may seek protection from our creditors under the bankruptcy laws.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. The changes in this Statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly, and will result in more consistent reporting of contracts as either derivatives or hybrid instruments. The implementation of SFAS No. 149 did not impact the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires the issuer to classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. The implementation of SFAS No. 150 did not impact the Company's financial position or results of operations.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

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

ITEM 3 - CONTROLS AND PROCEDURES

As of June 30, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-14(c). Based upon that evaluation, the Company's President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be included in the Company's periodic filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or, to the Company's knowledge, in other factors that could significantly affect those internal controls subsequent to the date the Company carried out its evaluation, and there have been no corrective actions with respect to significant deficiencies and material weaknesses.

The Company's management, including the President and the Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the

likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) Reports on From 8-K

There were no reports filed on From 8-K for the quarterly period ended June 30, 2003.

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SIGNATURES

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

POSITRON CORPORATION
(Registrant)

Date: August 14, 2003 /s/ Gary H. Brooks

Gary H. Brooks
Chairman, CEO, & CFO

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EXHIBIT INDEX

Exhibit	Description of the Exhibit
31.1	Chief Executive Officer and Chief Financial Officer Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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