POSITRON CORP
Form 10-K/A
March 04, 2011

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

FORM 10-K/A

Amendment No. 2

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
Commissions file number: 0-24092

Positron Corporation
A Texas Corporation
7715 Loma Ct. Suite A, Fishers, IN. 46038 (317) 576-0183

IRS Employer Identification Number: 76-0083622

Securities registered under Section 12(b) of the Exchange Act: NONE
Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK, $.01 PAR VALUE

Indicate by 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.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has 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 ¨ 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer”, or “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

Issuer's revenues for fiscal year ended December 31, 2009: $1,446,000.

Aggregate market value of common stock held by non-affiliates of the Registrant as of June 30, 2009: $7,673,231.

As of April 15, 2010 there were 397,933,773shares of the Registrant's common stock, $.01 par value outstanding.

Explanatory Note: We originally filed our Annual Report on Form 10-K for the year ended on April 15, 2010. The purpose of this Amendment on Form 10-K/A is to revise note 16 of our financials statements for the year ended December 31, 2009, amend the information under Item 9A. and 9(A)(T) Controls and Procedures and certain other items therein.

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," "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 payors 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.

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Corporate Information

Positron Corporation (the "Company" or “Positron”) was incorporated in 1983 and is currently headquartered in Fishers, Indiana. Unless the context requires otherwise, in this report the terms “we,” “us” and “our” refer to Positron Corporation.

Item 1. Business

General

Overview

Positron Corporation (the “Company”) is a molecular imaging company focused on Nuclear Cardiology. Positron utilizes its proprietary product line to provide unique solutions to the Nuclear Medicine community ranging from imaging to radiopharmaceutical distribution. Positron products include: the Attrius™, a Positron Emission Tomography (PET) imaging device; the Pulse®, a Single Photon Emission Computerized Tomography (SPECT) imaging device; the Nuclear Pharm-Assist®, an automated radiopharmaceutical distribution device; and the Tech-Assist™, a radiopharmaceutical injection shield. Posi−tron’s SPECT and PET cardiac molecular imaging de−vices are installed in more than 175 hospitals and physician offices around the world; two dozen of them are serviced by the Company.

Market Opportunity

Molecular Imaging Devices for Cardiology

Cardiovascular diseases (CVD) are the cause of death of approximately 17 million people worldwide, almost one-third of all deaths. By 2030, almost 23.6 million people will die from CVD (WHO, September 2009). CVD accounted for 38% of all deaths, or 1 of every 2.6 deaths in the United States (American Heart and Stroke Association, 2005). Heart disease is the leading cause of death for both men and women in the USA – 34.2% of all deaths. Estimated 80 million adults within the United States, or approximately 1 in 3 of the total population, were affected with CVD (Heart Disease and Stroke Statistics – 2009 Update, www.americanheart.org). In 2010, heart disease will cost the United States $316.4 billion, including the cost of health care services, medications, and lost productivity (Centers for Disease Control and Prevention).

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 to 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 non-invasive 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, gamma cameras and Positron Emission Tomography (PET), both of which are used for cardiovascular procedures. The most widely used imaging acquisition technology utilizing gamma cameras is single photon emission computed tomography, or 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 market dynamic 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.

Our Products

Since 1983, the Company has been designing, manufacturing, marketing and servicing advanced molecular imaging devices / software for Cardiology utilizing PET technology products such as Auricle™, HZ™, HZL™, mPOWER™ and the new Attrius™ and since 2006, SPECT technology under the trade name Pulse CDC™. Posi−tron's SPECT and PET cardiac molecular imaging de−vices are installed in more than 175 hospitals and physician offices around the world.

Positron Corporation is the only company in North America that offers a standalone, dedicated cardiac reasonably priced PET system. Positron, through its China based joint venture, Neusoft Positron Medical Systems, has upgraded its PET imaging system to accommodate the growing need for less expensive, high quality molecular imaging devices in today's challenging economy. Positron's technology for PET imaging provides image quality comparable to other PET manufactures with a fraction of their price. In addition, Positron offers a software patient management solution to improve patient care. The Attrius™ Cardiac PET system has received regulatory approval in 2009; the first system was delivered into the USA in November 2009 and was successfully clinically tested by a prominent cardiologist, Dr. Merhige. The Attrius™ has attracted significant interest from cardiologists, and Positron already has a backlog of orders for delivery in 2010.

For the Attrius™ PET, Positron was recognized with the 2010 Frost & Sullivan Award for New Product Innovation in the cardiac molecular imaging devices market. Each year, Frost & Sullivan presents this award to the company that has demonstrated superior performance against key competitors based on the following benchmarking criteria: innovative element of the product; leverage of leading edge technologies; value added features/benefits; increased customer value; and customer acquisition/penetration potential. Frost & Sullivan acknowledge that Attrius™ is the ideal solution for cardiologists and hospitals looking to add high accuracy, cost effective imaging technology.

Radiopharmaceutical Delivery Devices

According to Bio-Tech Systems (www.biotechsystems.com), a research firm that covers the diagnostic imaging market, nuclear cardiology radiopharmaceutical sales of $1.29 billion in 2007 will increase to $2.1 billion by 2014. In a study conducted by Frost & Sullivan (www.frost.com), the medical imaging consumables market is expected to grow at a compound annual rate of 14 percent, driven by an aging baby boomer population and persons 65 and over, and increasing more than twice as fast as the total population.

Tc-99m accounts for 82 percent of all diagnostic radiopharmaceutical injections each year (Arlington Medical Resources, Inc., The Imaging Market Guides – United States Edition, 2008). A current distribution model of Tc-99m is based on centralized radio pharmacies which provides scheduled deliveries of unit doses of radiopharmaceuticals to their clients located in a 70-75 miles range.

Positron's radiopharmaceutical delivery system, the Nuclear Pharm-Assist®, reduces client overhead and the overall radiation exposure of employees, improves efficiency and meets or exceeds relevant compliance rules and regulations. The Nuclear Pharm-Assist® provides 'Unit Dose" flexibility, for both PET and SPECT products, that is unprecedented in the industry.

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Positron Corporation believes immediate market opportunities for the Nuclear Pharm-Assist® may exist with Centralized Nuclear Pharmacies and large hospitals due to USP-797. USP-797 is a United States Pharmacopeia Chapter for the compounding of sterile products, including nuclear medicine pharmaceuticals, that is enforceable by the FDA. Nuclear medicine facilities and nuclear pharmacies continue to address specific USP-797 concerns—from training, operating procedures, construction and financial constraints—to maintain compliance with these regulations. The Nuclear Pharm-Assist® is a platform that allows providers to meet or exceed the requirements of USP-797. As a compounding aseptic containment isolator, the Nuclear Pharm-Assist® will provide an ISO Class 5 (class 100) environment necessary for USP-797 compliance, while at the same time automating the radiopharmaceutical compounding procedure. The Nuclear Pharm-Assist® is a unique solution for Nuclear Medicine facilities to assist in achieving rapid, cost effective compliance.

Positron Corporation offers several variations of the Nuclear Pharm-Assist® to address the needs of each customer, specifically within Nuclear Cardiology. This version, marketed as the Nuclear Cardio-Assist,™ can act as a "virtual" nuclear pharmacy with "Unit Dose" availability, at the touch of a button, 24/7. The Nuclear Cardio-Assist™ is a self-contained device that provides a platform for compliance with all regulations that involve compounding and dispensing sterile products. Single patient doses can be compounded from "Cold" kits, as needed, to meet customer specifications for each patient. The Nuclear Cardio-Assist™ is also a valuable asset for use in general Nuclear Medicine departments, as well as, Nuclear Pharmacies.

The Nuclear Pharm-Assist® can be combines with the patented Tech-Assist™ for dispensing of F-l 8 products from a vial in a clinic or hospital. This system reduces exposure by over 50% to the worker and allows for patient specific dosing to meet each individual patient requirement based on the patient's physical make up at the time of injection. This patient dispensing system will become even more relevant as new F-l8 products cause increased worker exposure in nuclear cardiology settings.

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 the Positron’s PET systems result in good 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 Cardiac PET System in the Market. All major PET manufacturers have discontinued manufacturing of stand-alone PET systems, offering PET combined with Computerized Tomography (PET/CT) instead. A very expensive CT component provides certain advantages in oncology applications but is redundant for cardiac imaging procedures. Positron intends to fill this market niche with its Attrius™ Cardiac PET system from Positron Chinese joint venture, Neusoft Positron Medical Systems.
- 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 Radiopharmaceutical Delivery Systems. Positron’s revolutionary “virtual pharmacy” solutions, Nuclear Pharm-Assist® and Nuclear Cardio-Assist™, allows placing pharmaceutical dose delivery systems into the physician’s offices and provides unprecedented “Unit Dose” flexibility to imaging providers at the touch of a button, 24/7. The systems meets the requirements of the United States Pharmacopeia Chapter 797 compounding regulations as a compounding aseptic containment isolator (CACI) and provides the ISO Class 5 environment necessary for USP-797 compliance as well as automating the basic radiopharmaceutical compounding procedures.

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- Complete Turnkey Offering of Radiopharmaceuticals, Camera Service and Imaging as a Total Solution to Customers. Positron offers financing and partnership flexibility to imaging providers with the choice of radiopharmaceuticals, radiopharmaceutical dispensing systems, molecular imaging devices, and equipment service directly from Positron. Customers can choose all services as a complete package or individual parts that suit their needs.

Business Strategy

We intend to increase our revenues by:

- Focus on the cardiac diagnostic market, which though highly competitive, has not being properly addressed to accommodate the trends from government pressures to reduce the healthcare burden while improving outcomes.

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Effective Cost leadership – Positron offers customers efficient, effective and economical complete cardiac solutions. Offering a total cardiac solution that includes imaging devices and radiopharmaceutical distribution.

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Product differentiation by not only uniqueness of our PET systems, cardiac specific software and pharmaceutical delivery systems, but offering to customers a total imaging solution.

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Providing Turnkey Services. - Positron intends to generate recurring monthly revenue from the service of our imaging systems and radiopharmaceutical delivery devices in addition to revenue from the sale of radiopharmaceuticals.

Sales and Marketing

To market its equipment and services, Positron relies 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 uses both sales personnel and key distributors who have geographic or market expertise.

The Company has signed on as a Corporate Partner with MedAxiom, a comprehensive subscription-based service provider and information resource exclusively for cardiology practices. MedAxiom’s network is compiled of over 300 practices representing 5,400 physicians covering 45 states across the U.S. Aligning with MedAxiom provides Positron direct access to most all cardiology practices in the country, many of them are in the immediate market for Positron’s products.

Positron has executed an Agent Agreement with TIS – Technology Imaging Services. TIS offer a wide range of solutions for Nuclear Cardiology, Oncology, and Cardiac PET, including hot lab set up and products, which gives Positron and its products exposure throughout the PET Industry, an opportunity to introduce and offer Tech-Assist™ exposure control dose administration device and Attrius™ Cardiac optimized PET scanner.

Positron sells and/or distributes its products and services directly to end-users. We have certain experience with one-level distribution channels, when our SPECT cameras were sold not to end-users only but also to dealers. Though it helped to increase the number of cameras sold, it had an impact on the profit margin and left Positron with less recurring revenue from the service contracts.

There is no assurance that the Company’s marketing and distribution strategy is sufficiently aggressive to compete against larger, better funded competitors.

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Customer Service and Warranty

The Company manufactures its Attrius PET system through its joint venture, Neusoft Positron Medical Systems and manufactures its Nuclear Pharm-Assist and Cardio-Assist systems in its Fishers Indiana facility. The company services all its systems and is a key component in the Company's recurring service revenue stream, post initial sales of its PET and Assist line systems.

Competition

The Company faces no direct competition as they are the only commercial manufacturer of a standalone PET system. The Company's SPECT camera has competition from other SPECT imaging companies. The Company does not believe that MRI and CT scan imaging represent significant competing technologies, but rather complementary technologies to PET, since PET, MRI and CT scans each provide information not available from the others. Computed tomography angiography ("CTA") is 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.

The Company is in a competitive imaging marketplace.Competition may come from other commercial manufacturers of PET/CT systems and SPECT/CT cameras such as General Electric Medical Systems ("GE"), Siemens Medical Systems, Inc. ("Siemens) and Philips Medical ("Philips"), all of which offer a full line of imaging cameras for each diagnostic imaging technology, including x-ray, MRI, CT, ultrasound and nuclear medicine, or SPECT/CT and PET/CT imaging. The molecular imaging systems sold by these competitors have been in use for a longer period of time than our products and are more widely recognized and used by physicians and hospitals.

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 price PET/CT systems with an average price tag of $2 million dollars. PET/CT integrates functional (PET) and structural (CT) information into a single scanning session, allowing excellent fusion of the PET and CT images and thus improving lesion localization and interpretation accuracy. The CT data 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. As a result, all major PET manufacturers 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 accepted commercially, the clinical benefits and the need for this technology in cardiology imaging remain controversial and are debated. Leading cardiologists believe that combined PET/CT is not important in imaging myocardial perfusion. The heart does not require that fine level of resolution to diagnose coronary disease due to the thickness of the heart. Significant limitations of cardiac PET/CT are also respiratory motion and metallic artefacts, which can result in art factual PET defects in up to 40% of patients, and these defects are moderate to severe in 23%. An 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 raise of the demand by cardiologists and lack of the supply of affordable PET systems on the market by offering its cardiac specific, standalone Attrius™ PET.

The Radiopharmaceutical Delivery is dominated today 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 a Covidien' network and 6 cyclotrons), and GE healthcare (31 radiopharmacies). There are also about

73 independent radiopharmacies and 70 institutional radiopharmacies (affiliated with major medical schools).

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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 only 75 seconds, and Rb-82 generators are delivered by Bracco directly to end users 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 (around $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 70-75 miles proximity to the pharmacy due to a short half-life of Tc-99m. The Positron Corporation's Nuclear-Assist line of equipment does not have these limitations, as the radiopharmaceutical delivery devices can be placed directly into physicians' offices with once-a-week deliveries.

Until lately, both cardiac radiopharmaceuticals have been protected by patents combined with exclusive distribution relationships. Since the end of 2008, Rb-82 (Cardiogen®) and Tc-99m Sestamibi (Cardiolite®) are available generically. This is a landmark event that opened the billion dollar nuclear cardiology radiopharmaceutical market.

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. 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 payors for reimbursement. As a result, demand for our products is dependent in part on the coverage and reimbursement policies of these payors. Third party coverage and reimbursement is subject to extensive federal, state, local, and foreign regulation, and private payor 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 payors. For example, some payors will not reimburse a provider unless the provider has a contract with the payor, and in many instances such payors will not enter into such contracts. Other payors prohibit reimbursement unless physicians own or lease our systems 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.

On October 30, 2009, Centers for Medicare & Medicaid Services (CMS) released their 2010 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 20% to $1,432.87 per study. The Schedule also states that Cardiovascular SPECT reimbursement for outpatient cardiology practices billing under CPT codes has been reduced by 36%. Ejection fraction and wall motion codes will now be bundled into a new global

code.

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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 systems will be manufactured through its joint venture, Neusoft Positron Medical Systems, at its developmental and manufacturing facility in Shenyang, China. The manufacturing of the Nuclear Pharm-Assist® line takes place in Indianapolis, Indiana metro–politan area.

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 labelling 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., to engage in the manufacturing of PET and CT/PET medical imaging equipment. The JV Company received its business license and was organized in September 2005.

The parties to the joint venture contributed an aggregate of US $2,000,000 in capital contributions. Neusoft's aggregate contribution to the capital of the JV Company is 67.5% of the total registered capital of the Company, or US$ 1,350,000, and was made in cash. The Company's aggregate contribution to the capital of the JV Company is 32.5% of the total registered capital of the JV Company, or US$ 650,000, of which US$ 250,000 was made in cash, and US$ 400,000 was made in the form of a technology license. 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%.The parties share the profits, losses and risks of the JV Company in proportion to and, in the event of losses, to the extent of their respective contributions to the registered capital of the JV Company.

Under its Joint Venture Contract with Neusoft, the Company has the exclusive right to sell PET system products developed by the JV Company in Canada, the U.S. 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, Canada, the U.S. and Mexico where select exclusive rights apply.

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

While the parties believe that the joint venture will meet their objectives, there can be no assurance that the joint venture will meet such objectives, including production and timely delivery of PET systems.

Research and Development

The Company's research and development expenses were approximately $178,000 and $1,027,000 for the years 2009 and 2008, respectively. The research and development activities have been focused on development of

radiopharmaceutical delivery systems and improvements to PulseCDC camera. We continue working on improvements to our radiopharmaceutical equipment to fit it to new products and meet sometimes unique user requirements. We are planning also development of additional software for our PET scanner to prepare it for new cardiac radiopharmaceuticals that are in a pipeline of a major radiopharmaceutical manufacturer. These research and development activities are costly and critical to the Company's ability to develop and maintain improved "state of the art" products. The Company's inability to conduct such activities in the future may have a material adverse affect on the Company's business as a whole.

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Patent, Trademarks and Royalty Arrangements

The Company acquired the know-how and patent rights for positron imaging from three entities: the Clayton Foundation, K. Lance Gould (formerly a director) and Nizar A. Mullani (also formerly a director.) The obligations to pay royalties for these know-how and patent rights have expired on July 14, 2008.

The Company has several historic domestic and international patents pertaining to positron emission tomography technology and currently maintains one active U.S. patent relating to the unique construction and arrangement of the photo detector module array used in its devices. This was issued in May 1993 and expires in December of 2011.

The Company has several current, and historic domestic and international patents pertaining to its technologies in positron emission tomography (PET) imaging, single photon emission computed tomographgy (SPECT) imaging, and radiopharmaceutical dispensing and shielding technologies. The Company currently maintains 7 active U.S. patents relating to these technologies. The most recent issued in 2010.

As of December 31, 2009, we hold trademark registrations in the United States for the following marks: Attrius™, POSICAM™, Pulse CDC™and Nuclear Pharm-Assist®.

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 has not experienced any product liability claims to date.

Employees

As of December 31, 2009, the Company employed twenty-one (21) 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.

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Item 1A. Risk Factors

Risks Associated with Business Activities

History of Losses. To date the Company has been unable to sell its systems in quantities sufficient to be operationally profitable. Consequently, the Company has sustained substantial losses. During the year ended December 31, 2009, the Company had a net loss of approximately $5,749,000, compared to a net loss of $8,975,000 during 2008. At December 31, 2009, the Company had an accumulated deficit of approximately $91,329,000. 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 sizable sales price of each system and the limited number of systems that have been sold or placed in service 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, 2009 expressed substantial doubt as to the Company's ability to continue as a going concern. The Company will need to obtain additional capital and increase system 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 $165,000 at December 31, 2009. The Company received $3,633,000 in proceeds from private placements of securities and financings in 2009. In spite of the proceeds, the Company believes that it is possible 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.

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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 leasing service will involve the use of certain radiopharmaceuticals. If we experience disruptions in the supply of these radiopharmaceuticals, that will cause us to cancel services that would otherwise be provided. If we are unable to obtain an adequate supply of the necessary radiopharmaceuticals, we may be unable to lease 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.

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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. Our pending U.S. and foreign patent applications, which include claims to material aspects of our products and procedures that are not currently protected by issued patents, may not issue as patents in a form that will be advantageous to us. 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.

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.

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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 is headquartered in Fishers, Indiana, where it currently leases an office and warehouse from a related party. This facility lease is a one year lease expiring in September 2010. Rentals payments for the facility are $4,671 monthly. The Company renewed a one year operating lease for its remaining Houston operations. The lease term is from February 1, 2010 to January 31, 2011. Monthly rent for the facility is $1,000.

Item 3. Legal Proceedings

On or about August 11, 2009, the Company accepted service of a Summons and Complaint in the Supreme Court of the State of New York alleging that the Company breached its obligations to the Investors by failing to pay to the Investors principal and interest on the maturity date, together with all accrued interest on the Debentures and the Company has breached its obligations to convert the principal and accrued interest underlying the Debentures into shares of the Company's common stock. The Investors are seeking an amount to be proven at trial, to foreclose on their security interest covering the Company's assets, plus attorney's fees. On September 21, 2009, the Company served its answer to the action, asserting general and affirmative defenses to the Investors' claims. The action is currently in the discovery stage.

In July 2009, Mark Brett Scarbinsky commenced an action against the Company in the Court of Common Pleas of Berks County to recover alleged unpaid salaries, vacation time, bonuses, expenses and incentive shares as a result of the plaintiff's employment agreement from the Company in the aggregate approximate amount of $43,000 plus 250,000 shares of the Company's common stock. The plaintiff and the Company settled the action for the payment of $15,000 ($10,000 which was paid on execution and the balance to be paid within 30 days) and the issuance of 250,000 shares of common stock.

In August 2009, Controlled Automation, Inc. commenced an action for breach of contract against the Company in the Superior Court of Hamilton County, Indiana alleging the Company is indebted to the Plaintiff for goods and services allegedly rendered to the Company. The plaintiff and the Company settled the action for the payment of $23,885.09 and the return by the plaintiff of certain of the Company's property.

In September 2009, Sam Faivre, a former consultant of the Company, commenced an action for breach of contract against the Company for services rendered to the Company. Although the Company believed a settlement had been accepted by the Plaintiff, default judgment was entered against the Company in the amount of $22,927.58 and the

amount was subsequently paid.

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PART II

Item 5. Market for Common Equity and Related Stockholder Matters

The Company's common stock is currently traded and quoted on the NASDAQ OTC Bulletin Board under the symbol POSC. The Company's common stock was previously traded on the NASDAQ Small Cap Market but was delisted in 1997 because the Company was unable to comply with various financial and compliance requirements for continued inclusion on the NASDAQ Small Cap Market. 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 2009 and 2008, 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.

	2009		2008	
	High	Low	High	Low
First Quarter	$ 0.04	$ 0.01	$ 0.07	$ 0.04
Second Quarter	$ 0.05	$ 0.02	$ 0.10	$ 0.04
Third Quarter	$ 0.09	$ 0.04	$ 0.09	$ 0.05
Fourth Quarter	$ 0.09	$ 0.06	$ 0.07	$ 0.01

There were approximately 345 shareholders of record of common stock as of March 31, 2010, including broker-dealers holding shares beneficially owned by their customers.

Item 6. Selected Financial Data

Not applicable

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 molecular imaging company focused on Nuclear Cardiology. Positron utilizes its proprietary product line to provide unique solutions to the Nuclear Medicine community ranging from imaging to radiopharmaceutical distribution. Positron products include: the Attrius™, a Positron Emission Tomography (PET) imaging device; the Pulse™, a Single Photon Emission Computerized Tomography (SPECT) imaging device; the Nuclear Pharm-Assist®, an automated radiopharmaceutical distribution device; and the Tech-Assist™, a radiopharmaceutical injection shield. Posi−tron's SPECT and PET cardiac molecular imaging de−vices are installed in more than 175 hospitals and physician offices around the world; two dozens of them are serviced by the Company. The Company has sold our imaging systems to physician offices, hospitals, and imaging centers primarily in the United States, although we have sold a small number of imaging systems internationally. The Company intends to install our radiopharmaceutical delivery systems to physician offices, hospitals, and nuclear pharmacies.

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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 radiopharmacies that need to comply with the requirements of USP-797 or want to automate the delivery of radiopharmaceuticals. We are able to offer a total customer solution which includes low cost molecular imaging devices, disease specific software, radiopharmaceutical distribution and delivery systems, and radiopharma−ceuticals agents for Cardiac Nuclear Medicine. We believe our market has been negatively affected by declining reimbursements from Medicare and Medicaid programs, pricing pressures, and continuing efforts by some third party payors to reduce health care expenditures by requiring physicians to obtain specific accreditations or certifications, or disallowing reimbursement if imaging is performed with leased cameras. We see, however, the reversal of the reimbursement trend in the last two years.

General

The Company believes it will experience an increase in sales with the launch of sales of new PET systems from our China based joint venture, Neusoft Positron Medical Systems. Our PET imaging system has been developed to accommodate the growing need by cardiologists for less expensive, high quality molecular imaging devices in today's challenging economy. The Attrius™ Cardiac PET system has received the Food and Drug Administration approval in April 2009. The Company believes that the cardiac market for PET is quickly emerging and provides an immediate opportunity to capture significant market share with a low-cost, stand-alone dedicated Cardiac PET device. Positron's technology for PET imaging provides superior image quality with significantly less cost than other PET/CT manufacturers. In addition, Positron offers a software patient management solution to improve patient care, including software by K. Lance Gould, M.D., a world renowned expert of cardiac PET technology.

Our Radiopharmaceutical Products segment expects revenue growth from sales and installations of radiopharmaceutical delivery systems and recurring revenue from delivery of radiopharmaceuticals. We believe that there is an immediate market opportunity for our radiopharmaceutical delivery system with centralized nuclear pharmacies, large hospitals and cardiology practices, many of which are not compliant with the United States Pharmacopeia Chapter 797 compounding regulations. Our Nuclear Pharm-Assist® systems reduce clients' overheads and the overall radiation exposure of workers, improves the efficiency of the pharmacy & delivery of radiopharmaceuticals and complies with newly enacted sterility requirements.

The Company intends to enter the market as the first medical device manufacturer to sell the pharmaceutical directly to the end customer. Currently the cardiac drugs for SPECT imaging are prepared at centralized Radio−pharmacies where they are substantially marked up. Our "virtual pharmacy" solution allows placing dose delivery systems into the physician's offices. Our Nuclear Cardio-Assist™ provides nuclear cardiology departments the ease of "Unit Dose" with the reliability of an "In-House" supply. The Nuclear Cardio-Assist™ automatically elutes a generator, compounds kits, performs quality control, fills a syringe, assays the dose in the syringe and dispenses the dose in the syringe ready for patient injection. The Nuclear Cardio-Assist™ replaces typical "Hot" lab equipment and acts as a "virtual" nuclear pharmacy with "Unit Dose" availability, at the touch of a button, 24/7.

We believe that these initiatives are intended to drive the Company towards consistent profitability and cash flow.

We expect increased sales and marketing spending to build on our 2010 sales.

Results of Operations

Consolidated results of operations for the year ending December 31, 2009 and 2008 include Positron and its wholly-owned subsidiariy Imaging Pet Technologies (“IPT”).

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Revenues - The Company generated revenues of $1,446,000 and $2,126,000 for the years ended December 31, 2009 and 2008, respectively. Revenue from service contracts totalled $827,000 and $1,150,000 for the years ended December 31, 2009 and 2008, respectively. The decrease in service is due to in large part to the continuous decline of sales of both PET systems and PulseCDC gamma cameras. Additionally, some existing service contracts were either terminated or moved to time and materials billing, which resulted in lower revenue.

Costs of Sales - Costs of sales and gross profit (loss) % for the year ended December 31, 2009 were $1,319,000 and 8.8%, respectively compared to $2,939,000 and (38.3%) for the year ended December 31, 2008. The negative gross profit during the year ended December 31, 2008 was due primarily to activities in the Company's subsidiary Positron Pharmaceuticals whose gross loss was approximately $554,000. Subsequent to the Company's acquisition of Dose Shield, Pharma spent significant amounts on the re-design of its Nuclear Pharm-Assist® systems that were already in process and for which we had established contract sales prices that were not adjusted. All additional costs were charged to the cost of the machines. In 2008, cost of sales also includes a write down of $412,000 taken upon the disposal of obsolete parts during the move from Ottawa to Indianapolis, and a charge for an additional reserve of $39,000 for slow moving parts.

For the year ended December 31, 2009, the Company recorded a gross loss on the sale of finished systems of $(167,000). The gross loss resulted mainly from production costs incurred for the manufacturing of the Nuclear Pharm-Assist® systems. The Company executed a fixed price contract with a customer and therefore has been unable to pass production cost overages along to the customer. Cost of goods sold related to service contracts was approximately $527,500. Revenues from service yielded a 36.25% gross profit for the year ended December 31, 2009. Also in 2009, the Company recorded a $58,000 charge for slow moving and obsolete inventory.

Operating Expenses - The Company's operating expenses were $4,956,000 for the year ended December 31, 2009 compared to $7,514,000 for the year ended December 31, 2008.

Selling, general and administrative expenses increased from $3,222,000 for the year ended December 31, 2008 as compared to $6,777,000 for the current year. The Company acquired Dose Shield in June 2008 and closed the Canadian facility of IPT and moved the operations to Indianapolis. Although salaries decreased from approximately $1.9 million in 2008 to $1.2 million in 2009, consulting fees increased from $842,000 in 2008 to $2.5 million for the year ended December 31, 2009. A significant amount of the consulting expense is fees paid pursuant to contracts with consultants hired to assist the Company with capital raising. For the year ended December 31, 2009, general and administrative expenses include stock based compensation expense of $2,258,000 related to stock option grants to employees.

Research and development costs for the year ended December 31, 2009 were $178,000 compared to $1,027,000 for the year ended December 31, 2008. Research and development costs for the year ended December 31, 2008 included costs which related to further development of the IS2 gamma cameras and other related technologies. For the year ended December 31, 2008 the Company also incurred research costs related to the NPMS joint venture and upgrade and modernization of the PET imaging system. The modernization development program was substantially completed in 2008 and the new system was submitted to the FDA in January 2009 and approved for marketing in April 2009.

Operating expenses in 2008 include a charge for impairment of the intangible asset recorded in conjunction with the acquisition of Dose Shield. At the date of acquisition in June 2008, the Company recorded the excess of purchase price over the fair value of the net assets of $3,265,000 as an intangible asset. The entire amount was deemed impaired at December 31, 2008.

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Other Income (Expenses) - Interest expense was $1,416,000 and $687,000 for the years ended December 31, 2009 and 2008, respectively. The significant increase in interest is due mainly to interest and related charges pursuant to default provisions contained in the NIR debentures agreements. In May 2009, the Company defaulted on the entire outstanding amount of the NIR debenture principal and accrued interest. Default related charges totalled $472,000 (recorded as interest expense) and other interest on the NIR notes amounted to $70,000 for the year ended December 31, 2009. Additionally, in 2009 interest expense included $700,000 of discount amortization related to convertible debentures. Interest expense in 2008 included $526,000 of discount amortization related to convertible debentures and $68,000 of interest on two notes payable to Imagin Molecular.

The Company recorded derivative gains of $499,000 for the year ended December 31, 2009 and $63,000 for the year ended December 31, 2008. Derivative gains resulted from changes in variables used to calculate fair market value using the Black Sholes Model. Specifically, decreases of the Company's stock price and less price volatility yielded a lower fair market value of the conversion features resulting in a decrease to the derivative liability during the year.

Income Taxes – There is no provision for income taxes due to ongoing operating losses. As of December 31, 2009, we had net operating loss carryforwards of approximately $29,000,000 for Federal reporting purposes. These amounts expire at various times through 2029. The Company has provided a full valuation allowance against the net deferred tax assets at December 31, 2009 and 2008.

Under the provisions of Section 382 of the Internal Revenue Code a greater than 50% ownership change that occurs in the Company limits the Company's ability to utilize certain pre-existing NOL's 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 events and resulting limitation that may impact utilization of net operating losses against future periods.

Net Loss - For the year ended December 31, 2009, the Company had a net loss of $5,749,000, or $0.02 per share, compared to a net loss of $8,975,000, or $0.07 per share, for the year ended December 31, 2008.

Liquidity and Capital Resources

At December 31, 2009, the Company had current assets of $923,000 and total assets of $988,000 compared to December 31, 2008 when current assets were $1,033,000 and total assets were $1,104,000. The decrease in current assets is attributable primarily to decreases in inventory and accounts receivable both attributable to a decrease in overall sales and service revenue.

Current liabilities at December 31, 2009 were $7,947,000 compared to $7,254,000 at December 31, 2008. Accounts payable and accrued liabilities were $3,200,000and $2,687,000 at December 31, 2009 and 2008, respectively. This increase is due in large part to a significant increase in accrued interest related to the NIR debentures (see "Other Income"). At December 31, 2009, current liabilities also included $1,358,000 of convertible debentures which were

due in May and June 2009 and are currently in default,related derivative liabilities of $2,104,000, and $540,000 of notes payable related to the acquisition of Dose Shield.

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Net cash used in operating activities during the year ended December 31, 2009 was $3,345,000 compared to $3,407,000 used in operating activities during the year ended December 31, 2008.

Net cash used in investing activities was $21,000 for the year ended December 31, 2009 and was all related to purchases of property and equipment including $16,000 in building and leasehold improvements. Net cash provided by investing activities of $762,000 during the year ended December 31, 2008 included $835,000 of advances from Imagin Molecular Corporation that were converted to notes and subsequently exchanged for shares of the Company's Series S Preferred Stock.

Net cash provided by financing activities was $3,519,000 and $2,415,000 for the years ended December 31, 2009 and 2008, respectively. During the year ended December 31, 2009, the Company issued preferred stock for cash totalling $1,699,000 and common stock for cash totalling $1,933,000, compared to the prior year when the Company issued preferred and common stock for cash totalling $1,115,000 and $50,000, respectively. During the year ended December 31, 2008, the Company also received proceeds from related parties of $1,288,000, the vast majority of which was received from the Solaris Opportunity Fund.

Since inception, the Company has expended substantial resources on research and development. Consequently, we have sustained substantial losses. Due to the limited number of systems sold or placed into service each year, revenues have fluctuated significantly from year to year. The Company had an accumulated deficit of $91,329,000 at December 31, 2009. The Company will need to increase system sales and apply the research and development advancements to achieve profitability in the future. We expect to experience an increase in sales with the launch of Attrius™ Cardiac PET system and through sales of radiopharmaceutical delivery systems and recurring revenue from delivery of radiopharmaceuticals with Nuclear Pharm-Assist® systems. Through the Company's joint venture with Neusoft Medical Systems, PET system 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 funds through loans, credit and the private placement of restricted securities until such time as the Company achieves profitability. To date, management has been successful in raising cash on an as-needed basis for the continued operations of the Company. There is no guarantee that management will be able to continue to raise needed cash in this fashion.

The Company's current financial condition raises doubt as to its ability to continue as a going concern. The report of the Company's independent public accountants, which accompanied the financial statements for the year ended December 31, 2009, was 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.

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

New Accounting Pronouncements

Critical Accounting Policies

In response to the Securities and Exchange Commission's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," we have identified critical accounting policies based upon the significance of the accounting policy to our overall financial statement presentation, as well as the complexity of the

accounting policy and our use of estimates and subjective assessments. We have concluded our critical accounting policies are as follows:

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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.

Revenue Recognition

Revenues from system contracts and other nuclear imaging devices are recognized when all significant costs have been incurred and the system has been shipped to the customer. Revenues from maintenance contracts are recognized over the term of the contract. Service revenues are recognized upon performance of the services.

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 POSICAM™ 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

The Company is not exposed to any significant market risk related to interest rates and foreign currencies.

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(T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 as amended (the “Exchange Act”), as of the end of the period covered by this Annual Report on Form 10-K, the Company’s management evaluated, with the participation of the Company’s principal executive and financial officer, the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act). Based upon an evaluation of the effectiveness of disclosure controls and procedures, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that as of the end of the period covered by this Annual Report on Form 10-K our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) were not effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Disclosure controls and procedures are defined as those controls and other procedures of an issuer that are designed to ensure that the information required to be disclosed by the issuer in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation by management, they have concluded these disclosure controls and procedures were not effective as of the year ended December 31, 2009 as a result of material weaknesses as discussed below.

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

1. Lack of formal policies and procedures necessary to adequately review significant accounting transactions. The Company utilizes a third party independent contractor for the preparation of its financial statements. Although the financial statements and footnotes are reviewed by our management, we do not have a formal policy to review significant accounting transactions and the accounting treatment of such transactions. The third party independent contractor is not involved in the day to day operations of the Company and may not be provided information from management on a timely basis to allow for adequate reporting/consideration of certain transactions.

2. 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.

We intend to initiate measures to remediate the identified material weaknesses including, but not necessarily limited to, the following:

- Establishing a formal review process of significant accounting transactions that includes participation of the Chief Executive Officer, the Chief Financial Officer and the Company's corporate legal counsel.

- 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.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. In performing the assessment, our management concluded that, as of December 31, 2009, our internal control over financial reporting was not effective, because of the significant deficiency and material weakness that were identified.

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The significant deficiency relates to a lack of segregation of duties due to the small number of employees involvement with general administrative and financial matters. However, management believes that compensating controls are in place to mitigate the risks associated with the lack of segregation of duties. Compensating controls include outsourcing certain financial functions to an independent contractor.

The material weakness relates to a lack of formal policies and procedures necessary to adequately review significant accounting transactions. The Company utilizes a third party independent contractor for the preparation of its financial statements. Although the financial statements and footnotes are reviewed by our management, we do not have a formal policy to review significant accounting transactions and the accounting treatment of such transactions. The third party independent contractor is not involved in the day to day operations of the Company and may not be provided information from management on a timely basis to allow for adequate reporting/consideration of certain transactions. We intend to initiate measures to remediate the identified material weaknesses including establishing a formal review process for significant accounting transactions that includes the participation of the Company's management and corporate legal counsel, and establishing a formal audit committee.

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 registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

None.

PART III

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 a such:

Name	Age	Position with the Company
Patrick G. Rooney	47	Chairman of the Board – Elected 2004 Chief Executive Officer- Elected 2009
Joseph G. Oliverio	40	Chief Technical Officer and Director – Elected 2006
John Zehner	42	Chief Operating Officer
Corey N. Conn	48	Chief Financial Officer and Director – Elected 2008
Timothy M. Gabel	40	Director of Service
Scott Stiffler	41	Director of Quality & Regulatory Affairs
Sachio Okamura	59	Director – Elected 2001
Dr. Anthony (Tony) C. Nicholls	62	Director – Elected 2005
Joseph C. Sardano	60	Director – Elected 2008

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.

Patrick G. Rooney. Mr. Rooney has served as Chairman of the Company since July 26, 2004 and has served as Chief Executive Officer since 2009. Mr. Rooney serves on the Board of Directors of Neusoft Positron Medical Systems Co., Ltd., a joint venture with Neusoft Medical Systems of China that will manufacture the Company's PET products. Since March 2003, Mr. Rooney has been the Managing Director of Solaris Opportunity Fund L.P., an investing/trading hedge fund. Through years 1985-2000, Patrick G. Rooney and/or Rooney Trading were a member of The Chicago Board of Options Exchange, The Chicago Board of Trade and The Chicago Mercantile Exchange. In September 1998 through March 2003, Mr. Rooney was the Managing Director of Digital Age Ventures, Ltd., a venture capital investment company. From August 19, 2003 to December 31, 2005, Mr. Rooney served as Chief Executive Officer and Director of Imagin Molecular Corporation, formerly known as Cipher Holdings, Inc. From August 2002 to November 2003, Mr. Rooney served as chairman and chief executive officer of Cipher Holding Corp. f/k/a Cipher Multimedia, Inc.

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Joseph G. Oliverio. Mr. Oliverio was appointed by the Board of Directors to serve as the Company's Chief Technical Officer on May 14, 2009. From 2005 to 2009, Mr. Oliverio served as President of the Company. Since August 18, 2006, Mr. Oliverio has served on the Board of Director and Chief Executive Officer of Imagin Molecular Corporation, a publicly-owned Delaware corporation, and affiliate of the Registrant. 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.

John Zehner. Mr. Zehner was appointed by the Board of Directors to serve as the Company's Chief Operation Officer on May 15, 2009. Mr. Zehner was Executive Vice-President of Positron since July 2008, when his company, Dose Shield, Inc., was acquired by Positron Corporation. Mr. Zehner has over 18 years of experience in the Nuclear Medicine field. Zehner has been part of several start-ups, mergers and acquisitions. In 1993, he assisted in the start-up of North−ern Virginia Isotopes, Inc., a nuclear pharmacy focused on distributing radioactive pharma−ceuticals for diagnostics and therapy to the Washington, D.C. market. In 1994, he established Valley Isotopes, Inc., a nuclear pharmacy in Winchester, Virginia. In 1995, Zehner led the formation of Eastern Isotopes, Inc. through the merger of three nuclear pharmacies and later established its pharmaceutical manufacturing division for FDG in 1998. In 1999, he became President and COO of Eastern Isotopes, Inc. and under his leadership grew sales from approximately $4 million to over $34 million by 2003. In 2007, after leading the sale of Eastern Isotopes, Inc. to IBA, SA, a Belgium life science company, Mr. Zehner formed NukeMed, Inc. and Dose Shield serving as President for both entities.

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. Since August 19, 2003, Mr. Conn has served on the Board of Directors and as Chief Financial Officer of Imagin Molecular Corporation, a publicly-owned Delaware corporation, and affiliate of the Registrant. In August 2002, Mr. Conn co-founded Cipher-Multimedia, Inc. and served as its Vice President and Chief Financial Officer. 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 served as a member of the Board of Directors of Uniloc, Inc., from April 2000 to July 2002. Mr. Conn received a Bachelor’s Degree in Business Administration from Bradley University.

Timothy M. Gabel was appointed by the Board of Directors to serve as Director of Service on May 15, 2009. Mr. Gabel was Vice President of Operations of Positron Corporation since March of 2006. Prior hereto and from 1996, Mr. Gabel specialized in international business, international technical project management, product research and development, lean manufacturing implementation, and product design with the automotive components supplier, Delphi Corporation. His experience includes technology transfer, and joint venture partnership development with companies in China, Japan, Mexico and Europe. Mr. Gabel holds four U.S. patents, and earned his Bachelor’s of Science in Mechanical Engineering from the State University of New York at Buffalo.

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Scott Stiffler. Mr. Stiffler has served as Director of Quality and Regulatory Affairs since September 2008. Mr. Stiffler is responsible for maintaining ISO and FDA regulatory compliance at Positron. Prior thereto Mr. Stiffler served as a Certified Six Sigma Black Belt as well as a Program Manager for the development of delivery devices at Eli Lilly and Company from June 2001 to September 2008. While at Eli Lilly Mr. Stiffler was responsible for the development of one of their highest volume insulin pens as well as several quality and cost improvement projects. Prior to Eli Lilly Mr. Stiffler worked for 10 years in the automotive industry as an engineer and project manager. He has a degree in Mechanical Engineering from Purdue University and an MBA from Indiana University's Kelley School of Business.

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.

Dr. Anthony (Tony) C. 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.

Joseph C. Sardano. Mr. Sardano has been elected as a director in 2008. Mr. Sardano also serves as Chief Executive Officer of Sensus Healthcare LLC since January 2009. Mr. Sardano served as a Senior Vice President of Sales and Marketing at Siemens Medical Solutions from May 2005 to November 2005 and CTI Molecular Imaging from September 2002 to April 2005 before becoming a strategic industry consultant and serving on the board of directors of various medical imaging companies. Mr. Sardano has served as CTI's Senior Vice President of Sales and Marketing since September 2004. In this capacity, he led the sales and marketing activities for all business units of CTI, including the sales of scanners under the sales agency agreement with Siemens Medical Solutions USA, Inc. Previously, Mr. Sardano served as Vice President of Sales for CTI Solutions from September 2002 to September 2004. Prior to joining CTI, Mr. Sardano held several key positions in the medical industry. He was with GE Medical Systems where he served as Region Sales Manager from 1999 to 2000 and as P.E.T. Americas Sales Manager from 2001 to 2002. Prior to that, Mr. Sardano served as Vice President Sales for Elscint Inc., and Vice President and General Sales Manager for Fisher Scientific. He has also served in various management capacities with Toshiba America Medical Systems, Medstone International and Xerox Corporation. Mr. Sardano holds a Bachelor of Arts degree from Concordia University in Montreal, Canada and an Executive Business Development Diploma from McGill University.

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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, 2009 and 2008. 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 (a)	Bonus	Restricted Stock Awards	Option Awards(b)	Nonequity incentive plan compensation	All Other Compensation	Total
Patrick G. Rooney Chief Executive Officer	2009	$ 100,000	--	--	--	--	--	$ 100,000
	2008	$ 100,000	--	--	--	--	--	$ 100,000
Joseph G. Oliverio President	2009	$ 150,000	--	--	--	--	--	$ 150,000
	2008	$ 150,000	--	--	--	--	--	$ 150,000
Corey N. Conn Chief Financial Officer	2009	$ 100,000	--	--	--	--	--	$ 100,000
	2008	$ 100,000	--	--	--	--	--	$ 100,000
Timothy M. Gabel Vice President of Operations	2009	$ 100,000	--	--	--	--	--	$ 100,000
	2008	$ 100,000	--	--	--	--	--	$ 100,000
John Zehner Executive Vice President	2009	$ 100,000	--	--	--	--	--	$ 100,000
	2008	$ 58,333	--	--	--	--	--	$ 58,333
Scott Stiffler Director of Quality and Regulatory Affairs	2009	$ 100,000	--	--	$ 11,998	--	--	$ 111,998
	2008	$ 16,667	--	--	--	--	--	$ 16,667

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(a) Mr. Zehner's 2008 salary is for the partial year beginning on June 6, 2008, the date of acquisition of Dose Shield. Mr. Stiffler began employment with the Company in October 2008.

(b) On September 12, 2009, Mr. Stiffler was granted an option to purchase 150,000 shares of the Company's common stock. The fair market value of the shares on the date of grant were $11,988.

Employment Agreements

Positron has an employment agreement with John Zehner, Chief Operating Officer. The term of the employment agreement is for a period of three years commencing on June 1, 2008; and is subject to automatic renewals for two (2) successive one year periods. Mr. Zehner has a base salary of $100,000. The base compensation may be increased (but not decreased) from time to time upon review by and within the sole and absolute discretion of the Board of Directors of Positron. The employment agreement cannot be terminated without cause.

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of December 31, 2010.

	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	7,500,000	—	$0.05	12/27/10	—	—	—	—
Sachio Okamura	25,000	—	$0.010	1/1/13	—	—	—	—
	25,000	—	$0.034	1/1/14	—	—	—	—
	25,000	—	$0.102	1/1/15	—	—	—	—
	500,000	—	$0.060	12/27/10	—	—	—	—
Patrick Rooney	25,000	—	$0.119	7/26/14	—	—	—	—
	25,000	—	$0.102	1/3/15	—	—	—	—
	500,000	—	$0.06	12/27/10	—	—	—	—
	25,000	—	$0.08	8/1/16	—	—	—	—
Dr. Anthony	25,000	—	$0.043	8/25/15	—	—	—	—

C. Nicholls								
	500,000	—	$0.06	12/27/10	—	—	—	—
	25,000	—	$0.119	7/26/14	—	—		