

DAXOR CORP  
Form 10-Q  
November 12, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)  
of the  
Securities Act of 1934

FOR QUARTER ENDED September 30, 2010  
Commission File Number 001-09999

DAXOR CORPORATION  
(Exact Name as Specified in its Charter)

New York  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-2682108  
(I.R.S. Employer  
Identification No.)

350 Fifth Ave  
Suite 7120  
New York, New York 10118  
(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number:  
(Including Area Code)

(212) 244-0555

Indicate by check mark whether the registrant (1) has filed all reports required 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  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 such shorter period that the registrant was required to post and submit such files)

Yes  No

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 the definitions of "large accelerated filer," "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer

Accelerated Filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS:COMMON STOCK  
PAR VALUE: \$.01 per share

4,226,837 OUTSTANDING AT November 8, 2010

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DAXOR CORPORATION AND SUBSIDIARY

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**DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	UNAUDITED September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 107,043	\$ 277,088
Receivable from broker	22,958,895	16,629,427
Available-for-sale securities, at fair value	58,074,095	53,270,726
Accounts receivable, net of allowance for doubtful accounts of \$112,787 in 2010 and \$92,421 in 2009	287,784	240,615
Inventory	381,954	454,407
Prepaid expenses and other current assets	173,795	104,431
<b>Total Current Assets</b>	<b>81,983,566</b>	<b>70,976,694</b>
Property and equipment, net	4,227,352	4,173,138
Other assets	37,158	37,158
<b>Total Assets</b>	<b>\$ 86,248,076</b>	<b>\$ 75,186,990</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 563,331	\$ 533,631
Loans payable	3,638,537	—
Income taxes payable	3,074,248	943,075
Mortgage payable, current portion	45,935	43,431
Put and call options, at fair value	5,470,803	4,249,123
Securities borrowed, at fair value	15,632,373	10,771,279
Deferred revenue	67,162	46,902
Deferred income taxes	9,128,483	10,627,351
<b>Total Current Liabilities</b>	<b>37,620,872</b>	<b>27,214,792</b>
<b>LONG TERM LIABILITIES</b>		
Mortgage payable, less current portion	312,107	346,861
<b>Total Liabilities</b>	<b>37,932,979</b>	<b>27,561,653</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued – 5,316,550 shares Outstanding – 4,226,837 and 4,250,318 shares at September 30, 2010 and December 31, 2009, respectively	53,165	53,165
Additional paid in capital	10,675,228	10,675,228
Accumulated other comprehensive income	15,724,214	16,016,375

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Retained earnings	33,460,262	32,241,597
Treasury stock, at cost, 1,089,713 and 1,066,232 shares at September 30, 2010 and December 31, 2009, respectively	(11,597,772 )	(11,361,028 )
Total Stockholders' Equity	48,315,097	47,625,337
Total Liabilities and Stockholders' Equity	\$ 86,248,076	\$ 75,186,990

See accompanying notes to unaudited condensed consolidated financial statements.

DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]  
FOR THE THREE MONTHS ENDED

	September 30, 2010	September 30, 2009
<b>REVENUES:</b>		
Operating Revenues – equipment sales and related services	\$ 368,201	\$ 330,286
Operating Revenues – cryobanking and related services	85,080	84,090
<b>Total Revenues</b>	<b>453,281</b>	<b>414,376</b>
<b>Cost of Sales:</b>		
Cost of equipment sales and related services	174,014	166,910
Cost of cryobanking and related services	11,728	11,840
<b>Total Cost of Sales</b>	<b>185,742</b>	<b>178,750</b>
<b>Gross Profit</b>	<b>267,539</b>	<b>235,626</b>
<b>OPERATING EXPENSES:</b>		
<b>Research and development expenses:</b>		
Research and development-equipment sales and related services	642,143	637,895
Research and development-cryobanking and related services	52,587	45,941
<b>Total Research and Development Expenses</b>	<b>694,730</b>	<b>683,836</b>
<b>Selling, General &amp; Administrative Expenses:</b>		
Selling, general, and administrative- equipment sales and related services	651,639	611,216
Selling, general, and administrative- cryobanking and related services	206,035	188,007
<b>Total Selling, General &amp; Administrative Expenses</b>	<b>857,674</b>	<b>799,223</b>
<b>Total Operating Expenses</b>	<b>1,552,404</b>	<b>1,483,059</b>
<b>Loss from Operations</b>	<b>(1,284,865 )</b>	<b>(1,247,433 )</b>
<b>Other Income (Expenses):</b>		
Dividend income-investment portfolio	635,678	729,731

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Realized gains on sale of securities, net	2,370,510	4,482,999
Mark to market of short positions	2,735,102	(1,185,688 )
Other revenues	3,041	2,964
Interest expense, net of interest income of \$456 and \$8,590	(20,323 )	(37,898 )
Administrative expense relating to portfolio investments	(35,227 )	(45,986 )
<b>Total Other Income</b>	<b>5,688,781</b>	<b>3,946,122</b>
<b>Income before Income Taxes</b>	<b>4,403,916</b>	<b>2,698,689</b>
<b>Income Tax Expense</b>	<b>1,799,112</b>	<b>72,847</b>
<b>Net Income</b>	<b>\$ 2,604,804</b>	<b>\$ 2,625,842</b>
<b>Comprehensive Income:</b>		
<b>Net Income</b>	<b>\$ 2,604,804</b>	<b>\$ 2,625,842</b>
<b>Unrealized Gain on Securities Held for Sale, Net of Deferred Income Taxes</b>	<b>3,829,575</b>	<b>3,608,065</b>
<b>Comprehensive Income</b>	<b>\$ 6,434,379</b>	<b>\$ 6,233,907</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>4,232,691</b>	<b>4,250,518</b>
<b>Net income per common equivalent share – basic and diluted</b>	<b>\$ 0.62</b>	<b>\$ 0.62</b>
<b>Dividends paid per common share</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>

See accompanying notes to unaudited condensed consolidated financial statements.



DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]  
FOR THE NINE MONTHS ENDED

	September 30, 2010	September 30, 2009
<b>REVENUES:</b>		
Operating Revenues – equipment sales and related services	\$ 958,929	\$ 968,884
Operating Revenues – cryobanking and related services	258,956	259,949
<b>Total Revenues</b>	<b>1,217,885</b>	<b>1,228,833</b>
<b>Cost of Sales:</b>		
Cost of equipment sales and related services	516,304	499,259
Cost of cryobanking and related services	26,626	34,045
<b>Total Cost of Sales</b>	<b>542,930</b>	<b>533,304</b>
<b>Gross Profit</b>	<b>674,955</b>	<b>695,529</b>
<b>OPERATING EXPENSES:</b>		
<b>Research and development expenses:</b>		
Research and development-equipment sales and related services	2,166,121	1,845,019
Research and development-cryobanking and related services	155,143	140,352
<b>Total Research and Development Expenses</b>	<b>2,321,264</b>	<b>1,985,371</b>
<b>Selling, General &amp; Administrative Expenses:</b>		
Selling, general, and administrative- equipment sales and related services	1,950,852	1,866,234
Selling, general, and administrative- cryobanking and related services	534,930	551,959
<b>Total Selling, General &amp; Administrative Expenses</b>	<b>2,485,782</b>	<b>2,418,193</b>
<b>Total Operating Expenses</b>	<b>4,807,046</b>	<b>4,403,564</b>
<b>Loss from Operations</b>	<b>(4,132,091 )</b>	<b>(3,708,035 )</b>
<b>Other Income (Expenses):</b>		
Dividend income-investment portfolio	1,722,944	2,353,240
Realized gains on sale of securities, net	9,936,557	9,934,443

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Mark to market of short positions	(2,355,785 )	(408,761 )
Other revenues	9,124	8,891
Interest expense, net of interest income of \$1,378 and \$6,526	(35,506 )	(165,425 )
Administrative expense relating to portfolio investments	(101,244 )	(109,286 )
Total Other Income	9,176,090	11,613,102
Income before Income Taxes	5,043,999	7,905,067
Income Tax Expense	2,343,258	583,814
Net Income	\$ 2,700,741	\$ 7,321,253
Comprehensive Income:		
Net Income	\$ 2,700,741	\$ 7,321,253
Unrealized (Loss) Gain on Securities Held for Sale, Net of		
Deferred Income Taxes	(292,161 )	1,426,733
Comprehensive Income	\$ 2,408,580	\$ 8,747,986
Weighted average number of shares outstanding – basic	4,240,753	4,266,707
Net income per common equivalent share – basic	\$ 0.64	\$ 1.72
Weighted average number of shares outstanding-diluted	4,240,753	4,288,707
Net income per common equivalent share – diluted	\$ 0.64	\$ 1.71
Dividends paid per common share	\$ 0.35	\$ 0.35

See accompanying notes to unaudited condensed consolidated financial statements.

**DAXOR CORPORATION AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]**  
**FOR THE NINE MONTHS ENDED**

	September 30, 2010	September 30, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 2,700,741	\$ 7,321,253
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	222,737	211,271
Non-cash compensation expense associated with employee stock compensation plans	—	14,681
Deferred income taxes	(1,282,320 )	(1,794,311 )
Bad debt allowance	20,366	3,776
Gain on sale of fixed assets	(52,533 )	—
Loss on disposal of fixed assets	285	16,433
Realized gains on sale of investments	(9,936,557 )	(9,934,443 )
Non cash dividend income	—	(1,938 )
Mark to market adjustments on options & short sales	2,355,785	408,761
Change in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	(67,535 )	24,351
Increase in prepaid expenses & other current assets	(69,364 )	(646,803 )
(Increase) Decrease in inventory	72,453	(49,837 )
Increase (Decrease) in accounts payable and accrued liabilities	29,700	(147,331 )
Increase in income taxes payable	2,131,173	386,042
Increase in deferred revenue	20,260	29,871
Net cash used in operating activities	(3,854,809 )	(4,158,224 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(289,703 )	(1,914,491 )
Proceeds from sale of fixed assets	65,000	
Increase in receivable due from broker	(5,176,245 )	(8,438,475 )
Increase in securities borrowed, at fair market value	4,861,094	8,935,734
Purchases of put and call options	(419,080 )	(2,697,775 )
Proceeds from sales of put and call options	14,344,491	22,504,260
Acquisition of available for sale securities	(21,818,503 )	(34,514,941 )
Proceeds from sale of available for sale securities	11,383,466	31,618,787
Net cash provided by investing activities	2,950,520	15,493,099
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from margin loan payable	29,622,601	47,784,335
Repayment of margin loan payable	(27,137,287 )	(58,563,144 )
Proceeds from loans from officers	—	1,140,000
Repayment of loans from officers	—	(1,140,000 )

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Repayment of bank loan	—	(1,285,000 )
Proceeds from bank loan	—	250,000
Purchase of treasury stock	(236,744 )	(488,396 )
Dividends paid	(1,482,076 )	(1,488,781 )
Repayment of mortgage payable	(32,250 )	(29,926 )
Net cash provided by (used in) financing activities	734,244	(13,820,912 )
Net decrease in cash and cash equivalents	(170,045 )	(2,486,037 )
Cash and cash equivalents at beginning of period	277,088	2,545,040
Cash and cash equivalents at end of period	\$ 107,043	\$ 59,003

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest	\$ 37,340	\$ 180,541
Income taxes	\$ 1,556,483	\$ 2,873,491

See accompanying notes to unaudited condensed consolidated financial statements.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010  
(Unaudited)

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Daxor Corporation (the “Company”) is a medical device manufacturing company that offers additional biotech services, such as cryobanking, through its wholly owned subsidiary, Scientific Medical Systems Corp. The Company provides long-term frozen blood and semen storage services to enable individuals to store their own blood and semen. The main focus of Daxor Corporation has been the development of an instrument that rapidly and accurately measures human blood volume. This instrument is used in conjunction with a single use diagnostic injection and collection kit.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The condensed consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation for the years ended December 31, 2009, 2008 and 2007, included in Daxor Corporation’s Annual Report and Form 10-K for the fiscal year ended December 31, 2009. The December 31, 2009 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three and nine month periods ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

These condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“US GAAP”) and under the same accounting principles as the consolidated financial statements included in the Annual Report on Form 10-K. Certain information and footnote disclosures related thereto normally included in the financial statements prepared in accordance with US GAAP have been omitted in accordance with Rule 8-03 of Regulation S-X.

Management has evaluated subsequent events through the date of this filing.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable and payable, accrued liabilities, deferred option premiums and loans payable approximate fair value because of their short maturities. The carrying amount of the mortgage payable is estimated to approximate fair value as the mortgage carries a market rate of interest.

Fair Value Measurements

The Company utilizes the provisions of FASB ASC 820 - Fair Value Measurements (“ASC 820”) for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. ASC 820 establishes the

framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs.

Level 1, is defined as observable inputs being quoted prices in active markets for identical assets;

Level 2, is defined as observable inputs including quoted prices for similar assets; and

Level 3, is defined as unobservable inputs in which little or no market data exists, therefore requiring assumptions based on the best information available.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010 (Continued)  
(Unaudited)

Effective January 1, 2009, the Company adopted the provisions of FASB ASC 820-10 with respect to non-financial assets and liabilities. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of FASB ASC 820-10 did not have any impact on the Company's consolidated financial statements as of and for the three and nine months ended September 30, 2010.

On January 1, 2010, the Company adopted the new provisions of ASU No. 2010-06 - Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements (the "ASU"). The ASU amended standards require disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers, beginning in the first quarter of 2010. The impact on the Company's disclosures was not significant. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the first quarter of 2011. We do not expect these new standards to significantly impact our consolidated financial statements.

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 September 30, 2010 (Continued)  
 (Unaudited)

#### Available-for-Sale Securities

Available-for-sale securities represent investments in debt and equity securities (primarily common and preferred stock of electric utility companies) that management has determined meet the definition of available-for-sale under FASB ASC 320 - Accounting for Certain Investments in Debt and Equity Securities ("ASC 320"). Accordingly, these investments are stated at fair market value and all unrealized holding gains or losses are recorded in the Stockholders' Equity section as Accumulated Other Comprehensive Income (Loss). Conversely, all realized gains, losses and earnings are recorded in the Statement of Operations under Other Income (Expense).

At certain times, the Company will engage in short selling of stock. When this occurs, the short position is marked to the market and recorded as a realized sale. Any gain or (loss) is recorded for the period presented.

Historical cost is used by the Company to determine all gains and losses, and fair market value is obtained by readily available market quotes on all securities (Level 1 inputs).

#### Put and Call Options at fair value

As part of the company's investment strategy, put and call options are sold on various stocks the company is willing to buy or sell. The premiums received are deferred until such time as they are exercised or expire. In accordance with FASB ASC 815 - Accounting for Derivative Instruments and Hedging Activities, these options are marked to market for each reporting period using readily available market quotes (Level 1 inputs), and this fair value adjustment is recorded as a gain or loss in the Statement of Operations.

Upon exercise, the value of the premium will adjust the basis of the underlying security bought or sold. Options that expire are recorded as income in the period they expire.

All proceeds of the put and call options which are equity contracts are shown net of the mark to market adjustment in the current liability section of the balance sheet as Put and call options, at fair value.

#### Receivable from Broker

The Receivable from Brokers includes cash proceeds from the sales of securities and dividends. These proceeds are invested in dividend bearing money market accounts. The restricted cash is held by the brokers to satisfy margin requirements.

The following table summarizes Receivable from Broker at September 30, 2010 and December 31, 2009:

Description	(Unaudited)	
	September 30, 2010	December 31, 2009
Money Market Accounts	\$ 7,215,521	\$ 6,062,298
Restricted Cash	15,743,374	10,567,129
Total Receivable from Broker	\$ 22,958,895	\$ 16,629,427





DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010 (Continued)  
(Unaudited)

Securities borrowed at fair value

When a call option that has been sold short is exercised, this creates a short position in the related common stock. The recorded cost of these short positions is the amount received on the sale of the stock plus the proceeds received from the underlying call option. These positions are shown on the Balance Sheet as “Securities borrowed at fair value” and the carrying value is reduced or increased at the end of each quarter by the mark to market adjustment which is recorded in accordance with ASC 320.

Investment Goals, Strategies and Policies

The Company’s investment goals, strategies and policies are as follows:

1. The Company’s investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, the Company maintains a diversified securities portfolio comprised primarily of electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and may have net short positions in common stock up to 15% of the value of the portfolio. The Company’s net short position may temporarily rise to 15% of the Company’s portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company’s investment policy is to maintain a minimum of 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value of the portfolio.
3. Investment in speculative issues, including short sales, maximum of 15%.
4. Limited use of options to increase yearly investment income.
  - a. The use of “Call” Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the Company’s investments. The risk of this strategy is that investments may be called away, which the Company may have preferred to retain. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of five years for available for sale securities.
  - b. The use of “Put” options. Put options are written on stocks which the Company is willing to purchase. While the Company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing Company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the Company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the

cost basis of the stock is lower than the market price at the time the option is exercised.

- c. Speculative Short Sales/Short Options. The Company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The Company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the call, the option is not exercised and the Company records the proceeds from the sale of the call as income. If the call is exercised, the Company will have a short position in the related stock. The Company then has the choice of covering the short position, or selling a put against it. If the put is exercised, then the short position is covered. The Company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the Company may have so-called speculative positions equal to 15% of its accounts, in actual practice the net short stock positions usually account for less than 10% of the assets of the Company.
5. In the event of a merger, the Company will elect to receive shares in the new company if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 September 30, 2010 (Continued)  
 (Unaudited)

It is possible that the market value of a stock may go below our cost after we purchase it even though we considered the stock to be undervalued relative to the market at the time we purchased it. When that occurs, we follow the provisions of SEC Staff Accounting Bulletin: Codification of Staff Accounting Bulletins, Topic 5-M (“SAB 5-M”): Miscellaneous Accounting, Other Than Temporary Investments in Debt and Equity Securities in determining whether an investment is other than temporarily impaired.

#### Reclassifications

Certain reclassifications have been made to the Company’s September 30, 2009 condensed consolidated statement of operations to conform to the September 30, 2010 presentation.

#### Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method (FIFO), and consists primarily of finished goods.

#### Earnings per Share

The Company computes earnings per share in accordance with ASC 260 - Earnings per Share. Basic earnings per common share is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share are based on the average number of common shares outstanding during each period, adjusted for the effects of outstanding stock options.

The following table summarizes the earnings per share calculations for the three months ended September 30, 2010 and September 30, 2009:

	Three months ended September 30, 2010	Three months ended September 30, 2009
Basic and diluted shares	4,232,691	4,250,518
Net Income	\$ 2,604,804	\$ 2,625,842
Basic and diluted income per share	\$ 0.62	\$ 0.62

Certain stock options were not included in the computation of the earnings per share due to their anti-dilutive effect. The number of anti-dilutive options totaled 55,800 and 66,300 for the three months ended September 30, 2010 and 2009, respectively

The following table summarizes the earnings per share calculations for the nine months ended September 30, 2010 and September 30, 2009:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Basic shares	4,240,753	4,266,707
Dilutions: stock options	—	22,000
Diluted shares	4,240,753	4,288,707

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Net Income	\$	2,700,741	\$	7,321,253
Basic earnings per share	\$	0.64	\$	1.72
Diluted earnings per share	\$	0.64	\$	1.71

Certain stock options were not included in the computation of the earnings per share due to their anti-dilutive effect. The number of anti-dilutive options totaled 54,800 and 67,300 for the nine months ended September 30, 2010 and 2009, respectively

DAXOR CORPORATION AND SUBSIDIARY  
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Dividends

The Company has paid a total dividend of \$0.35 for the nine months ended September 30, 2010 as follows: \$0.10 per share on June 16, 2010 and \$0.25 per share on September 30, 2010. The Company paid a total dividend of \$1.35 per share in 2009.

In 2008, Management instituted a policy of paying dividends when funds are available. The goal of management is to pay a total dividend of \$1.00 per share in 2010 provided funds are available.

(2) AVAILABLE-FOR-SALE SECURITIES

The Company uses the historical cost method in the determination of its realized and unrealized gains and losses. The following tables summarize the Company's investments as of:

Summary of Available for Sale Securities as of September 30, 2010 (Unaudited)

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$ 55,878,129	\$ 32,072,963	\$ 23,805,166	\$ 25,287,525	\$ (1,482,359 )
Preferred Stock	2,195,966	1,979,264	216,702	517,330	(300,628 )
Total Equity Securities	\$ 58,074,095	\$ 34,052,227	\$ 24,021,868	\$ 25,804,855	\$ (1,782,987 )

Summary of Unrealized Losses of Available for Sale Securities as of September 30, 2010 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable Equity Securities	\$ 4,377,210	\$ 313,552	\$ 3,171,185	\$ 1,469,435	\$ 7,548,395	\$ 1,782,987

Summary of Unrealized Gains on Available for Sale Securities as of September 30, 2010 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
Marketable Equity Securities	\$ 6,207,798	\$ 553,704	\$ 44,317,902	\$ 25,251,151	\$ 50,525,700	\$ 25,804,855

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Summary of Available for Sale Securities as of December 31, 2009

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$51,207,654	\$26,673,055	\$24,534,599	\$26,771,744	\$(2,237,145 )
Preferred Stock	2,063,072	1,957,094	105,978	370,187	(264,209 )
Total Equity Securities	\$53,270,726	\$28,630,149	\$24,640,577	\$27,141,931	\$(2,501,354 )

Summary of Unrealized Losses of Available for Sale Securities as of December 31, 2009

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable Equity Securities	\$ 2,874,316	\$ 1,451,436	\$ 1,917,505	\$ 1,049,918	\$ 4,791,821	\$ 2,501,354

Summary of Unrealized Gains on Available for Sale Securities as of December 31, 2009

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
Marketable Equity Securities	\$ 4,025,079	\$ 696,783	\$ 44,453,826	\$ 26,445,148	\$ 48,478,905	\$ 27,141,931

Our investment policy calls for a minimum of 80% of the value of our portfolio of Available for Sale Securities to be maintained in utility stocks. This percentage may be temporarily decreased to 70% if deemed necessary by management. Operating under this policy, Management's investment strategy is to purchase utility stocks which it considers to be undervalued relative to the market in anticipation of an increase in the market price.

At September 30, 2010 and December 31, 2009, available for sale securities consisted mostly of preferred and common stocks of utility companies. At September 30, 2010 and December 31, 2009, 96.22% and 96.13% of the market value of the Company's available for sale securities was made up of common stock, respectively.

The Company's portfolio value is exposed to fluctuations in the general value of electric utilities. An increase of interest rates could put downward pressure on the valuation of utility stocks.

Electric utilities operate in an environment of federal, state and local regulations, and they may disproportionately affect an individual utility. The Company believes that its exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 87 separate common and preferred stocks. As of September 30, 2010 there were three holdings of common stock which comprised 32.67% of the total market value of the available for sale investments. These three holdings are FirstEnergy, Exelon and Entergy





DAXOR CORPORATION AND SUBSIDIARY  
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It is possible that the market value of a stock may go below our cost after we purchase it even though we considered the stock to be undervalued relative to the market at the time we purchased it. When that occurs, we follow the provisions of SEC Staff Accounting Bulletin: Codification of Staff Accounting Bulletins, Topic 5-M (“SAB 5-M”): Miscellaneous Accounting, Other Than Temporary Investments in Debt and Equity Securities in determining whether an investment is other than temporarily impaired. The factors we review and/or consider include the following:

- The extent to which the market value has been less than cost.
- An evaluation of the financial condition of an issuer including a review of their profit and loss statements for the most recent completed fiscal year and the preceding two years.
- The examination of the general market outlook of the issuer. This could include but is not limited to the issuer having a unique product or technology which would appear likely to have a positive impact on future earnings.
- A review of the general market conditions.
- Our intent and ability to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.
- Specific adverse conditions related to the financial health of, and business outlook for, the issuer.
- Changes in technology in the industry and its affect on the issuer.
- Changes in the issuer’s credit rating.

Unrealized Losses on Available for Sale Securities

At September 30, 2010, 53.3% or \$950,571 of the total unrealized losses of \$1,782,987 was comprised of the following two securities: \$292,163 for Dynegy, Inc. (“Dynegy”) and \$658,408 for Citigroup Inc. (“Citigroup”).

Dynegy, Inc.

At September 30, 2010, Daxor owned 88,000 shares of Dynegy with a cost basis of \$8.19 per share and a market value of \$4.87 per share. On November 1, 2010 the market value of Dynegy was \$4.57 which is \$3.62 or 44% less than our cost basis of \$8.19 per share.

On November 1, 2010, Dynegy announced that the Federal Energy Regulatory Commission (“FERC”) had approved the acquisition of Dynegy by The Blackstone Group LP. The sale must still be approved by Dynegy shareholders. Dynegy management has stated that it feels the sale is in the best interest of the shareholders.

The Blackstone Group announced in August it would pay \$4.50 per share and assume more than \$4 billion in Dynegy debt to take the company private. The deal is expected to close before the end of November 2010.

The Company sold 129,000 shares of Dynegy during the quarter ended September 30, 2010 for a total realized loss of \$1,144,425. These realized losses are included in the results for the period ended September 30, 2010.

The Company sold 23,000 shares of Dynegy from October 1, 2010 through November 10, 2010 for a realized loss of \$110,000. The Company recorded this loss of \$110,000 as an impairment charge during the quarter ended September 30, 2010. As of November 10, 2010, the Company owned 65,000 shares of Dynegy with a cost basis of \$7.79 per share.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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Citigroup Inc.

At September 30, 2010, Daxor owned 329,407 shares of Citigroup with a cost basis of \$5.90 per share and a market value of \$3.91 per share. On November 1, 2010, the market value of Citigroup was \$4.15 per share which is \$1.75 or 30% less than our cost basis of \$5.90 per share.

During the first quarter of 2009, the stock was at \$1.00 per share and as of November 1, 2010, was trading at \$4.15 per share. The stock price has increased by 25% from January 1, 2010 through November 1, 2010, going from \$3.31 per share to \$4.15 per share.

Citigroup reported net income of \$9.3 billion in the first nine months of 2010 versus \$6.0 billion in the first nine months of 2009. Their provision for credit losses and benefits declined to \$5.9 billion which is the lowest level since the second quarter of 2007. The growth in net income is attributable to improved revenues, continued monitoring of expenses and a decline in the cost of credit.

Citigroup has reduced headcount to 258, 000 at September 30, 2010 versus 375,000 at the peak level in 2007. Total Operating Expenses were 2% lower during the nine months ended September 30, 2010 as compared to the same period in 2009.

During 2009, Citigroup repaid \$20 billion of TARP (Troubled Asset Relief Program) trust preferred securities and exited a loss sharing agreement. As a result of these transactions, effective in 2010, Citigroup is no longer deemed to be a beneficiary of “exceptional financial assistance” under TARP. As of December 31, 2009, the United States Treasury Department owned 27% of Citigroup’s stock.

In order to be “well capitalized” under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10% , and a Leverage ratio of at least 3%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. At September 30, 2010, the Tier 1 Capital Ratio was 12.5%, Total Capital Ratio was 16.1% and the Leverage Ratio was 6.6%. Citigroup is considered “well capitalized” under the federal regulatory agency definitions at September 30, 2010.

The operating environment for Citigroup continues to be difficult but the stock price has been trending upward since the first quarter of 2009 and the profit of the core business more than doubled in 2009 versus 2008. Management at Citigroup has substantially reduced operating expenses and headcount which should help operating results in future periods. Citigroup is no longer deemed to be a beneficiary of “exceptional financial assistance” under TARP and is considered to be “well capitalized” under the federal regulatory agency definitions at September 30, 2010.

After considering the available positive and negative evidence in addition to the ability of Daxor to hold the stock until the market price exceeds our cost, management has determined that an impairment charge is not necessary at September 30, 2010 on Citigroup.

Daxor Corporation  
Summary of Unrealized Losses on Dynege, Inc and Citigroup, Inc.  
As of September 30, 2010

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Security	Total Cost	Less Than Twelve Months		Tweleve Months or Greater		Total	
		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Dynegy, Inc.	\$ 720,723	\$ 167,041	\$ 53,742	\$ 261,519	\$ 238,421	\$ 428,560	\$ 292,163
Citigroup, Inc.	1,946,389	—	—	1,287,981	658,408	1,287,981	658,408
<b>Total</b>	<b>\$ 2,667,112</b>	<b>\$ 167,041</b>	<b>\$ 53,742</b>	<b>\$ 1,549,500</b>	<b>\$ 896,829</b>	<b>\$ 1,716,541</b>	<b>\$ 950,571</b>

DAXOR CORPORATION AND SUBSIDIARY  
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(3) SEGMENT ANALYSIS

The Company has two operating segments: Equipment Sales and Related Services, and Cryobanking and Related Services.

The Equipment Sales and Related Services segment comprises the Blood Volume Analyzer equipment and related activity. This includes equipment sales, equipment rentals, equipment delivery fees, BVA-100 kit sales and service contract revenues.

The Cryobanking and Related Services segment is comprised of activity relating to the storage of blood and semen, and related laboratory services and handling fees.

Although not deemed an operating segment: the Company reports a third business segment; Investment activity. This segment reports the activity of the Company's investment portfolio. This includes all earnings, gains and losses, and expenses relating to these investments.

The following table summarizes the results of each segment described above for the three months ended September 30, 2010 (unaudited).

	September 30, 2010			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$368,201	\$85,080	\$—	\$453,281
Expenses				
Cost of sales	174,014	11,728	—	185,742
Research and development expenses	642,143	52,587	—	694,730
Selling, general and administrative expenses	651,639	206,035	—	857,674
Total Expenses	1,467,796	270,350	—	1,738,146
Operating loss	(1,099,595 )	(185,270 )	—	(1,284,865 )
Investment income, net	—	—	5,706,063	5,706,063
Other income (expense)				
Interest expense, net	(6,896 )	—	(13,427 )	(20,323 )
Other income	3,041	—	—	3,041

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Total Other Income (Expense)	(3,855 )	—	(13,427 )	(17,282 )
Income (loss) before income taxes	(1,103,450 )	(185,270 )	5,692,636	4,403,916
Income tax expense	75,403	—	1,723,709	1,799,112
Net income (loss)	\$(1,178,853 )	\$(185,270 )	\$3,968,927	\$2,604,804
Total assets	\$5,052,684	\$162,402	\$81,032,990	\$86,248,076

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DAXOR CORPORATION AND SUBSIDIARY  
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The following table summarizes the results of each segment described above for the three months ended September 30, 2009 (unaudited).

	September 30, 2009			Total
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	
Revenues	\$330,286	\$84,090	\$—	\$414,376
Expenses				
Cost of sales	166,910	11,840	—	178,750
Research and development expenses	637,895	45,941	—	683,836
Selling, general and administrative expenses	611,216	188,007	—	799,223
Total Expenses	1,416,021	245,788	—	1,661,809
Operating loss	(1,085,735 )	(161,698 )	—	(1,247,433 )
Investment income, net	—	—	3,981,056	3,981,056
Other income (expense)				
Interest expense, net	(7,691 )	—	(30,207 )	(37,898 )
Other income	2,964	—	—	2,964
Total Other Income (Expense)	(4,727 )	—	(30,207 )	(34,934 )
Income (loss) before income taxes	(1,090,462 )	(161,698 )	3,950,849	2,698,689
Income tax expense	55,835	—	17,012	72,847
Net income (loss)	\$(1,146,297 )	\$(161,698 )	\$3,933,837	\$2,625,842
Total assets	\$5,340,141	\$184,181	\$74,030,949	\$79,555,271

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010 (Continued)  
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The following table summarizes the results of each segment described above for the nine months ended September 30, 2010 (unaudited).

	September 30, 2010			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$958,929	\$258,956	\$—	\$1,217,885
Expenses				
Cost of sales	516,304	26,626	—	542,930
Research and development expenses	2,166,121	155,143	—	2,321,264
Selling, general and administrative expenses	1,950,852	534,930	—	2,485,782
Total Expenses	4,633,277	716,699	—	5,349,976
Operating loss	(3,674,348 )	(457,743 )	—	(4,132,091 )
Investment income, net	—	—	9,202,472	9,202,472
Other income (expense)				
Interest expense, net	(21,142 )	296	(14,660 )	(35,506 )
Other income	9,124	—	—	9,124
Total Other Income (Expense)	(12,018 )	296	(14,660 )	(26,382 )
Income (loss) before income taxes	(3,686,366 )	(457,447 )	9,187,812	5,043,999
Income tax expense	111,403	—	2,231,855	2,343,258
Net income (loss)	\$(3,797,769 )	\$(457,447 )	\$6,955,957	\$2,700,741
Total assets	\$5,052,684	\$162,402	\$81,032,990	\$86,248,076



DAXOR CORPORATION AND SUBSIDIARY  
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The following table summarizes the results of each segment described above for the nine months ended September 30, 2009 (unaudited).

	September 30, 2009			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$968,884	\$259,949	\$—	\$1,228,833
Expenses				
Cost of sales	499,259	34,045	—	533,304
Research and development expenses	1,845,019	140,352	—	1,985,371
Selling, general and administrative expenses	1,866,234	551,959	—	2,418,193
Total Expenses	4,210,512	726,356	—	4,936,868
Operating loss	(3,241,628 )	(466,407 )	—	(3,708,035 )
Investment income, net	—	—	11,769,636	11,769,636
Other income (expense)				
Interest expense, net	(23,466 )	—	(141,959 )	(165,425 )
Other income	8,891	—	—	8,891
Total Other Income (Expense)	(14,575 )	—	(141,959 )	(156,534 )
Income (loss) before income taxes	(3,256,203 )	(466,407 )	11,627,677	7,905,067
Income tax expense	85,835	1,000	496,979	583,814
Net income (loss)	\$(3,342,038 )	\$(467,407 )	\$11,130,698	\$7,321,253
Total assets	\$5,340,141	\$184,181	\$74,030,949	\$79,555,271

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(4) LOANS AND MORTGAGE PAYABLE

LOANS PAYABLE

Short-term debt to brokers (margin debt), is secured by the Company's marketable securities, and totaled \$3,638,537 at September 30, 2010 and \$0 at December 31, 2009. The interest rate on the Company's margin debt at September 30, 2010 was 1.008%

MORTGAGE PAYABLE

Daxor financed the purchase of the land and buildings in Oak Ridge, Tennessee with a \$500,000 10-year mortgage, with the first five years fixed at 7.49%. On January 2, 2012, there is a single payment of \$301,972 for the remaining principal and interest on the mortgage. The Company has the option of making this payment or refinancing the mortgage for an additional five year term at a fixed rate of interest that would be set on January 2, 2012.

(5) PUT AND CALL OPTIONS AT FAIR VALUE

As part of the Company's investment strategy, put and call options are sold on various stocks the Company is willing to buy or sell. The premiums received are deferred until such time as they are exercised or expire. These options are marked to market for each reporting period using readily available market quotes, and this fair value adjustment is recorded as a gain or loss in the Statement of Operations.

Upon exercise, the value of the premium will adjust the basis of the underlying security bought or sold. Options that expire are recorded as income in the period they expire.

For the three months ended September 30, 2010, the Company recorded a gain from marking put and call options to market of \$3,945,415. For the three months ended September 30, 2009, the Company recorded income from marking put and call options to market of \$896,426. These amounts are included in the Statements of Operations as part of mark to market of short positions.

For the nine months ended September 30, 2010, the Company recorded a loss from marking put and call options to market of (\$1,416,884). For the nine months ended September 30, 2009, the Company recorded income from marking put and call options to market of \$412,704. These amounts are included in the Statements of Operations as part of mark to market of short positions.

All proceeds of the put and call options which are equity contracts are shown net of the mark to market adjustment in the current liability section of the balance sheet as Put and call options, at fair value.

**DAXOR CORPORATION AND SUBSIDIARY**  
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The following summarizes the Company's Put and Call Options as of September 30, 2010 (unaudited) and December 31, 2009:

Put and Call Options	Selling Price	Fair Market Value	Unrealized Gain
September 30, 2010	\$ 9,410,272	\$ 5,470,803	\$ 3,939,469
December 31, 2009	9,605,476	4,249,123	5,356,353

**(6) SECURITIES BORROWED AT FAIR VALUE**

The Company maintains short positions in certain marketable securities. The liability for short sales of securities is included in "Securities borrowed at fair market value" in the accompanying balance sheets. The respective market values of these positions were \$15,632,373 and \$10,771,279 as of September 30, 2010 and December 31, 2009.

**(7) CURRENT INCOME TAXES**

The Company accrues income taxes in interim periods based upon its estimated annual effective tax rate.

The current income tax expense for the three months ended September 30, 2010 and 2009 (unaudited) is comprised of the following:

	September 30, 2010	September 30, 2009
Regular tax and Alternative Minimum Tax (AMT)	\$ 707,389	\$ (254,844 )
Personal Holding Company Tax (PHC)	80,943	180,000
State Franchise Taxes	75,403	—
Total Current Income Tax Provision	863,735	(74,844 )
Deferred Income Taxes	935,377	147,691
Total Income Tax Expense (Benefit)	\$ 1,799,112	\$ 72,847

The current income tax expense for the nine months ended September 30, 2010 and 2009 (unaudited) is comprised of the following:

	September 30, 2010	September 30, 2009
Regular tax and Alternative Minimum Tax (AMT)	\$ 2,643,679	\$ 1,562,125
Personal Holding Company Tax (PHC)	870,496	785,000
State Franchise Taxes	111,403	31,000
Total Current Income Tax Provision	3,625,578	2,378,125
Deferred Income Taxes	(1,282,320 )	(1,794,311 )
Total Income Tax Expense	\$ 2,343,258	\$ 583,814



DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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## (8) DEFERRED INCOME TAXES

The deferred income tax liability is comprised of the following:

	(unaudited) September 30, 2010	December 31, 2009
Deferred Tax Liabilities:		
Fair market value adjustment for available -for -sale securities	\$ 8,407,654	\$ 8,624,202
Mark to market on short positions	592,403	1,874,723
Property and Equipment	128,426	128,426
	\$ 9,128,483	\$ 10,627,351

The deferred tax liability that results from the marketable securities does not flow through the statement of operations due to the classification of the marketable securities as available-for-sale. Instead, any increase or decrease in the deferred tax liability is recorded as an adjustment to accumulated other comprehensive income which is in the stockholders' equity section of the balance sheet.

## (9) CERTAIN CONCENTRATIONS AND CONTINGENCIES

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of the common stock of marketable electric utilities. At September 30, 2010, stocks representing 95.61% of the market value of common stocks held by the Company were listed on the New York Stock Exchange (NYSE). The Company maintains its investments in four different brokerage accounts, three at UBS and one at TD Ameritrade. UBS and TD Ameritrade provide supplemental insurance up to the face value of the securities in excess of the SIPC limit of \$500,000.

Both of these brokerage houses are well known in the industry and management does not believe that these securities bear any risk of loss over and above the basic risk that a security bears through the normal activity of the securities markets. However, at September 30, 2010 the fair market value of securities in excess of the SIPC insured limit is \$2,293,538 and the cash on deposit in excess of the insured limit is \$5,194,954.

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For the three months September 30, 2010, the sales of Blood Volume Kits accounted for 62.23% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 61.52% of the Company's sales of Blood Volume Kits.

For the three months ended September 30, 2009, the sales of Blood Volume Kits accounted for 59.64% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 70.72% of the Company's sales of Blood Volume Kits.

For the nine months ended September 30, 2010, the sales of Blood Volume Kits accounted for 62.76% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 60.17% of the Company's sales of Blood Volume Kits.

For the nine months ended September 30, 2009, the sales of Blood Volume Kits accounted for 69.77% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 62.72% of the Company's sales of Blood Volume Kits.

Management believes that the loss of any one of these customers would have an adverse effect on the Company's consolidated business for a short period of time. All of these four hospitals have purchased their BVA-100 equipment. The Company has not had any situations in which a hospital, after having purchased a blood volume analyzer, discontinued purchasing Volumex kits. This suggests that, when more hospitals purchase equipment, they will continue with ongoing purchase of Volumex kits. The Company continues to seek new customers, so that any one hospital will represent a smaller percentage of overall sales.

As disclosed in our previous filings, the Centers for Medicare and Medicaid Services (CMS) implemented a significant policy change affecting the reimbursement for all diagnostic radiopharmaceutical products and contrast agents which was effective as of January 1, 2008. As a result of this policy change, diagnostic radiopharmaceuticals such as Daxor's Volumex are no longer separately reimbursable by Medicare for outpatient services. At this time, it is still unclear if this policy change will also be implemented by private third party health insurance companies.

The reimbursement policy for hospital outpatients through December 31, 2007 included payment for both the cost of the procedure to perform a blood volume analysis (BVA) and the radiopharmaceutical (Daxor's Volumex radiopharmaceutical). CMS's policy now only includes the reimbursement for the procedure and would require the hospital to absorb the cost of the radiopharmaceutical. There will be an upward adjustment for the procedure code to include some of the costs of the radiopharmaceutical. However, this upward adjustment does not entirely cover the costs associated with the procedure and the radiopharmaceutical.

In response to Medicare's change in its reimbursement policy for diagnostic radiopharmaceuticals, Daxor has lobbied CMS both individually and as a member of the Society of Nuclear Medicine's APC Task Force, which is a select group of representatives from industry and healthcare that represents the more than 16,000 nuclear medicine professionals in the United States. One of the missions of the APC Task Force is to work directly with the CMS in an attempt to amend the current policy limiting the reimbursement of diagnostic radiopharmaceuticals for outpatient diagnostic services. There is no guarantee that the APC task force will be successful in their efforts to persuade the CMS to amend their policy of limiting the reimbursement of diagnostic radiopharmaceuticals for outpatient diagnostic services.

On March 23, 2010, the "Patient Protection and Affordable Care Act" was signed into law by President Obama. The goal of this legislation is to make health care more accessible to Americans. At this time, we are unable to quantify how this legislation will affect our operating income.

The Company's Volumex syringes are filled by an FDA approved radiopharmaceutical manufacturer. This manufacturer is the only one approved by the FDA in the United States to manufacture Volumex for interstate commerce. If this manufacturer were to cease filling the Volumex syringes for Daxor, the Company would have to make alternative arrangements to insure a supply of Volumex. The effect of such a disruption on Daxor's business could be material.

From time to time, the Company is the subject of legal proceedings arising in the ordinary course of business.

In 2005 and 2007, the Company and Dr. Joseph Feldschuh, its President and Chief Executive Officer, respectively, received Wells Notices from the Securities and Exchange Commission ("SEC") requesting their comments on the SEC Staff's view that the Company was in violation of Section 7(a) of the Investment Company Act in that it was operating as an unregistered investment company. The Company and Dr. Feldschuh responded to those requests when made.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010 (Continued)  
(Unaudited)

In November 2009, the staff of the Northeast Regional Office of the SEC contacted the Company and invited both the Company and Dr. Feldschuh to make a new Wells submission based upon more recent operations and results. The Company and Dr. Feldschuh responded to the staff's invitation on December 20, 2009.

On September 17, 2010, the SEC instituted administrative proceedings pursuant to the Investment Company Act of 1940. The New York City staff of the Enforcement Division of the SEC are claiming that Daxor is an investment company. The Company has disclosed in previous filings that it is dependent upon earnings from its investment portfolio to fund operations.

Daxor intends to defend its position before the SEC and if need be, in the courts. The administrative trial is currently expected to start during the latter part of the First Quarter of 2011 and the Administrative Law Judge is required to issue an opinion no later than 300 days from September 17, 2010 pursuant to Rule 360 (a)(2) of the Commission's Rules of Practice.

The Company feels strongly that its history of operations demonstrate that it is primarily an operating medical instrumentation and Biotechnology Company and not primarily an investment company. There is a risk that Daxor will be found to be an investment company as a result of this administrative proceeding.

#### (10) RELATED PARTY TRANSACTIONS

The Company subleases a portion of its New York City office space to the President of the Company for five hours per week. This sublease agreement has no formal terms and is executed on a month to month basis.

The amount of rental income received from the President of the Company for the three months ended September 30, 2010 and September 30, 2009 was \$3,041 and \$2,964.

The amount of rental income received from the President of the Company for the nine months ended September 30, 2010 and September 30, 2009 was \$9,124 and \$8,891.

Jonathan Feldschuh is the co-inventor of the BVA-100 Blood Volume Analyzer and is the son of Dr. Joseph Feldschuh, the Chief Executive Officer and President of Daxor. He was paid \$18,720 annually for the years ended December 31, 2009 and 2008. Jonathan Feldschuh is expected to provide a limited amount of consultative help in the filing of the additional patents in 2010.

#### (11) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") No. 2009-13 - "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements" (formerly Emerging Issues Task Force Issue No. 08-1). This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, and measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance



within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company believes the adoption of this guidance will not have a material impact on the Company's consolidated results of operations or financial position.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2010 (Continued)  
(Unaudited)

In October 2009, the FASB issued ASU No. 2009-14, Software (ASC 985): Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force); effective for years beginning after June 15, 2010. ASU 2009-14 modifies the existing scope guidance in ASC 985-605, Software Revenue Recognition, for revenue arrangements with tangible products that include software elements. This modification was made primarily due to the changes in ASC 605-25 noted previously, which further differentiated the separation and allocation guidance applicable to non-software arrangements as compared to software arrangements. Prior to the modification of ASC 605-25, the separation and allocation guidance for software and non-software arrangements was more similar. Under ASC 985-605, which was originally issued as AICPA Statement of Position 97-2, Software Revenue Recognition, an arrangement to sell a tangible product along with software was considered to be in its scope if the software was more than incidental to the product as a whole. The Company believes the adoption of this guidance will not have a material impact on the Company's consolidated results of operations or financial position.

In February 2010, the FASB issued an amendment to accounting standards related to subsequent events. The amendment exempts Securities and Exchange Commission registrants from the requirement to disclose the date through which it has evaluated subsequent events for either original or restated financial statements. The standard is effective February 2010. The Company adopted this standard in February 2010. The adoption did not impact the Company's consolidated financial position or results of operations, other than additional reporting requirements.

In April 2010, the FASB issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the financial position, results of operations or cash flows of the Company.

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

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

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion of the our financial condition and results of our operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2009. This Quarterly Report on Form 10-Q contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements are usually accompanied by words such as "believes," "may," "should," "anticipates," "estimates," "expects," "future," "intends," "hopes," "plans," and similar expressions, which are intended to identify the negative thereof. Forward-looking statements involve risks and uncertainties and our actual results may differ materially from the results anticipated in these forward-looking statements as a result of certain factors.

### BUSINESS OVERVIEW

Daxor Corporation is a medical device manufacturing company that offers additional biotech services, such as cryobanking, through its wholly owned subsidiary Scientific Medical Systems Corp. The main focus of Daxor Corporation has been the development and marketing of an instrument that rapidly and accurately measures human blood volume. This instrument is used in conjunction with a single use diagnostic injection and collection kit that the Company also sells to its customers.

### RECENT DEVELOPMENTS

Blood volume derangements are associated with a variety of medical and surgical conditions. It is well established that clinical assessments of blood volume using physical examination or simple blood tests are frequently inadequate to determine total blood volume. Daxor is therefore actively supporting blood volume research in several strategic areas including Heart Failure, Critical Care/Trauma, and Transfusion Decisions during Surgery. These therapeutic areas are ones in which patient diagnosis and/or treatment may be greatly improved by the information obtained from a blood volume analysis, as outlined below.

#### Heart Failure

Heart failure, a major cause of morbidity and mortality among the elderly, is a serious public health problem. Expenditures related to the care of heart failure patients approach \$38 billion annually, which makes congestive heart failure the most expensive condition covered by Medicare. The majority of patients treated for heart failure must be treated with medications which produce drastic changes in their blood volumes.

Daxor has previously sponsored several studies to assess the benefits of blood volume analysis in heart failure patients. One landmark study, conducted by Dr. Stuart Katz when he was an Investigator at the Columbia Presbyterian Medical Center, categorized patients as hypervolemic (volume expanded), normovolemic (having a normal blood volume), or hypovolemic (volume contracted) and recorded their outcomes over time. At the end of one year, 39% of the hypervolemic patients had died or received an urgent heart transplant. In contrast, none of the normovolemic or hypovolemic patients died or received an urgent transplant. At the end of two years, 55% of hypervolemic patients had died or received an urgent heart transplant, while the normovolemic patients continued to have a 0% mortality rate. This study showed a remarkable correlation between blood volume and outcome and suggested that effectively treating patients to normovolemia may dramatically improve their outcomes.

The study also examined the accuracy of clinical assessment of volume status in these patients. Experienced cardiologists assessed patients' blood volume statuses using standard laboratory tests and physical examination. When choosing between three possible choices—decreased, normal, or increased blood volume—specialists were correct only 51% of the time in evaluating these severely ill cardiac patients when compared to the direct measurement results provided by the BVA-100. This study was cited in the most recent revision of the American College of Cardiology/American Heart Association 2005 guidelines for the treatment of chronic heart failure in support of the recommendation to assess blood volume status of heart failure patients at every doctor's visit.

Daxor is now preparing to conduct a large-scale, multi-center study as a follow-up to this earlier study. The TEAM-HF (Treatment to Euvolemia/Normovolemia by Assessment and Measured Blood Volume in Heart Failure) Study will enroll a total of 300 patients from twelve (12) participating medical centers. The TEAM-HF Study will investigate whether use of blood volume data, in addition to current standards of care, will lead to decreases in re-hospitalization and mortality, and improved function and quality of life for heart failure patients. Dr. Stuart Katz, who is now the Director of the Heart Failure Program at New York University, will extend his previous research by serving as the National Principal Investigator for this study. Data collection and management for the TEAM-HF Study will be performed by an independent organization – the Nathan S. Kline Institute for Psychiatric Research. Daxor has also retained the services of three statisticians, two of whom are faculty members at New York University, to assist with data analysis for the TEAM-HF Study. We anticipate that this study will begin enrollment in the fourth quarter of 2010.

In addition, Daxor is supporting a study which will determine whether use of blood volume measurement to help guide fluid removal by ultrafiltration (UF) in patients hospitalized with decompensated Heart Failure (HF) leads to improved outcomes. The 50 patients who enroll in this interventional study will undergo 4 blood volume measurements: (1) immediately before UF, (2) 30 minutes after UF is complete, (3) at 30-day follow-up and (4) at 90-day follow-up. Patients will be randomized into two groups: in the experimental group, the physician will be given the BVA-100 results, which will guide fluid removal during UF. In the control group, the physician will not be given the BVA-100 results. In this case, fluid removal will be based upon physicians' clinical assessment. Some of the outcomes that will be compared between the two groups include survival, rehospitalization, the incidence of decreased kidney function, and the need for long-term hemodialysis. This study is currently in progress, and 20 patients have enrolled to date. The Principal Investigator for this study is Dr. Mitchell Saltzberg, the Medical Director of the Heart Failure program at the Christiana Care Health System.

Daxor is also providing support for a clinical study – along with Medtronic, Inc. – to assess whether the OptiVol® implantable cardiac device is able to provide an accurate estimate of patients' blood volume status. At the present time, it is difficult to accurately identify increases in blood volume that may predict which patients are likely to experience a worsening of symptoms and future heart failure events. One invasive method that is sometimes used to identify early blood volume increases is Medtronic's OptiVol® system, which continuously monitors the thoracic fluid status of heart failure patients. The objective of this study is to determine whether there is a correlation between intrathoracic impedance, as measured by Medtronic's OptiVol® system, and total blood and plasma volume as measured by Daxor's non-invasive BVA-100. This study, which is being led by Dr. Adrian Van Bakel, the Medical Director of the Heart Failure and Cardiac Transplant Program of the Medical University of South Carolina, was recently completed and the data will soon be analyzed.

#### Critical Care/Trauma

Optimal management of fluid status is an essential component of critical care medicine. At the present time, physicians rely on imprecise clinical signs and symptoms to guide their fluid resuscitation decisions. Direct blood volume measurement can be used to take the guesswork out of volume assessment and to enable more precise and appropriate treatment.

Dr. Mihae Yu and colleagues at the Queen's Medical Center in Honolulu, Hawaii, have been studying the use of blood volume measurement in the critical care unit. They have performed blood volume measurement in the surgical intensive care unit and recorded how the results have influenced their treatment decisions. Their most recent results were published in the February 2009 issue of the American Journal of Surgery. The findings were based on 86 blood volume measurements from 40 patients, and showed that blood volume measurement results led to a change in treatment plan 36% of the time. Among patients who received a pulmonary artery catheter (PAC) for hemodynamic measurements, treatment would have been changed 50% of the time if blood volume data had been available to

treating physicians. Among patients who did not receive PAC measurement, treatment would have changed 33% of the time if the blood volume data had been available.

Dr. Yu recently completed a major study, partially funded by Daxor, in which blood volume measurement was conducted in the intensive care unit. The purpose of the study was to determine whether survival and length of hospital stay could be improved by incorporating blood volume measurement into treatment decisions in the intensive care unit. Some of the preliminary findings from this study were presented at the Society for Critical Care Medicine annual meeting in January 2010. These results were recently submitted for publication to a top-tier medical journal and have been accepted for publication. The research article is expected to appear in press within the next month or two.

Daxor is also supporting a second study of blood volume analysis in critically injured trauma patients. This study, which assesses blood volume changes over a three-day period, is being led by Dr. Marty Schreiber, Chief of Trauma at the Oregon Health and Science University. The purpose of this study is to determine whether measurement of blood volume with Daxor's BVA-100 leads to a change in outcomes, as well as the number of tests and interventions that are conducted, relative to current standards of care for patients in the Intensive Care Unit. This study will also compare blood volume results to other hemodynamic measurements such as heart rate, blood pressure, urine output, and central venous or pulmonary artery catheter measurements. The preliminary results from this study were presented at the Western Trauma Association meeting in March 2010 and are currently under review for publication in a top-ranked medical journal.

#### Transfusion Decisions During Surgery

Effective volume management during surgery requires accurate assessment of a patient's need for transfusions. The decision to transfuse a patient depends on appropriately balancing the benefits vs. risks of transfusion for each patient at any given time. Blood volume measurement, by quantifying a patient's blood volume prior to surgery, can provide important information about how much blood loss a patient can safely sustain.

Daxor recently sponsored a study of blood volume changes throughout cardiac surgery as measured by the BVA-100. This study was led by Principal Investigator Dr. Mark Nelson at the Virginia Commonwealth University. Three sequential blood volume analyses were conducted: (1) before surgery; (2) immediately after surgery; (3) and 2 hours after transfer to the intensive care unit. The hypothesis was that red cell volume would be well conserved as a result of cell salvage and transfusion practices employed in the operating room. The preliminary findings from this study demonstrated a greater than anticipated loss of red cells and total blood volume during and after surgery. These results were presented at the recent Society of Cardiovascular Anesthesiologists meeting and are expected to be published in the near future.

#### RESULTS OF OPERATIONS

Three months ended September 30, 2010 as compared with three months ended September 30, 2009:

##### Operating Revenues and Expenses

For the three months ended September 30, 2010, consolidated operating revenues increased to \$453,281 from \$414,376 for the same period in 2009, an increase of \$38,905 or 9.4%. This was mainly due to the sale on one Blood Volume Analyzer during the current quarter for \$65,000. There were no Blood Volume Analyzers sold during the quarter ended September 30, 2009.

The Company sold 796 Volumex Kits during the quarter ended September 30, 2010 versus 828 for the quarter ended September 30, 2009 for a decrease of 32 kits or 3.8%. Revenue from Blood Volume Kit Sales decreased to \$257,783 from \$293,055 during the same period for a reduction of \$35,272 or 12.0%.

There were 56 Blood Volume Analyzers placed at September 30, 2010 versus 55 at September 30, 2009. For the three months ended September 30, 2010, the Company provided 45 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 65 during the same period in 2009.

The following tables provide gross margin information on Equipment Sales & Related Services for the three months ended September 30, 2010 and September 30, 2009:

Equipment Sales and Related Services:	Kit Sales Three Months Ended September 30, 2010	Equipment Sales and Other Three Months Ended September 30, 2010	Total Three Months Ended September 30, 2010
Revenue	\$ 257,783	\$ 110,418	\$ 368,201
Cost of Goods Sold	119,468	54,546	174,014
Gross Profit	\$ 138,315	\$ 55,872	\$ 194,187
Gross Profit Percentage	53.7%	50.6%	52.7%

Equipment Sales and Related Services:	Kit Sales Three Months Ended September 30, 2009	Equipment Sales and Other Three Months Ended September 30, 2009	Total Three Months Ended September 30, 2009
Revenue	\$ 293,055	\$ 37,231	\$ 330,286
Cost of Goods Sold	123,802	43,108	166,910
Gross Profit (Loss)	\$ 169,253	\$ (5,877)	\$ 163,376
Gross Profit (Loss) Percentage	57.8 %	(15.8) %	49.5 %

A major reason for the decrease in gross profit percentage on kit sales during the current quarter was price increases of between 4%-10% on various items used in production of blood volume kits. These additional costs were not passed on to our customers, contributing to a reduction in our gross profit percentage on kit sales.

The additional revenues for Equipment Sales and Other during the current and previous quarter consist almost entirely of shipping charges and service contract revenue.

The Company had a gross profit of \$55,872 on Equipment Sales and other for the three months ended September 30, 2010 versus a gross loss for the three months ended September 30, 2009 of (\$5,877). This is due to the sale of one Blood Volume Analyzer for \$65,000 during the current quarter versus. There were no Blood Volume Analyzers sold during the quarter ended September 30, 2009

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$1,293,782 for the three months ended September 30, 2010 versus \$1,249,111 for the same period in 2009, for an increase of \$44,671 or 3.58%. The main reason for this was an increase of \$78,359 in professional fees.

Research & Development expenses for Equipment Sales and Related Services were \$642,143 for the three months ended September 30, 2010 versus \$683,836 for the same period in 2009 for a decrease of \$41,693 or 6.10%. Daxor is committed to making Blood Volume Analysis a standard of care in at least three different disease states. In order to achieve this goal, we are continuing to spend time and money in research and development to get the best product to the market. We are still working on the following three projects: 1) GFR: Glomerular Filtration Rate, 2) Total Body Albumin Analysis, and 3) Wipes tests for radiation contamination/detection. We are also progressing on the next version of the delivery device for the radioactive dose Volumex. The current version is the "Max-100" which has a patent. The next version, the "Max-200" will be without a needle and should afford the company extended protection with a second patent when it is completed.



Operating revenues for the Cryobanking segment, which includes both blood banking and semen banking, increased to \$85,080 in 2010 from \$84,090 in 2009.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$258,622 for the three months ended September 30, 2010 versus \$233,948 for the same period in 2009, for an increase of \$24,674 or 10.55%. The main reason for this was an increase in the amount added to the accounts receivable allowance of \$11,129.

## Consolidated Operating Expenses

The total consolidated operating expenses for the third quarter of 2010 were \$1,738,146 versus \$1,661,809 in 2009 for an increase of \$76,337 or 4.59%. The main reason for this increase was additional Professional Fees of \$77,836 during the current quarter.

## INVESTING SEGMENT

### Unrealized Losses on Available for Sale Securities

At September 30, 2010, 53.3% or \$950,571 of the total unrealized losses of \$1,782,987 was comprised of the following two securities: \$292,163 for Dynegy, Inc. (“Dynegy”) and \$658,408 for Citigroup Inc. (“Citigroup”).

#### Dynegy, Inc.

At September 30, 2010, Daxor owned 88,000 shares of Dynegy with a cost basis of \$8.19 per share and a market value of \$4.87 per share. On November 1, 2010 the market value of Dynegy was \$4.57 which is \$3.62 or 44% less than our cost basis of \$8.19 per share.

On November 1, 2010, Dynegy announced that the Federal Energy Regulatory Commission (“FERC”) had approved the acquisition of Dynegy by The Blackstone Group LP. The sale must still be approved by Dynegy shareholders. Dynegy management has stated that it feels the sale is in the best interest of the shareholders.

The Blackstone Group announced in August it would pay \$4.50 per share and assume more than \$4 billion in Dynegy debt to take the company private. The deal is expected to close before the end of November 2010.

The Company sold 129,000 shares of Dynegy during the quarter ended September 30, 2010 for a total realized loss of \$1,144,425. These realized losses are included in the results for the period ended September 30, 2010.

The Company sold 23,000 shares of Dynegy from October 1, 2010 through November 10, 2010 for a realized loss of \$110,000. The Company recorded this loss of \$110,000 as an impairment charge during the quarter ended September 30, 2010. As of November 10, 2010, the Company owned 65,000 shares of Dynegy with a cost basis of \$7.79 per share.

#### Citigroup Inc.

At September 30, 2010, Daxor owned 329,407 shares of Citigroup with a cost basis of \$5.90 per share and a market value of \$3.91 per share. On November 1, 2010, the market value of Citigroup was \$4.15 per share which is \$1.75 or 30% less than our cost basis of \$5.90 per share.

During the first quarter of 2009, the stock was at \$1.00 per share and as of November 1, 2010, was trading at \$4.15 per share. The stock price has increased by 25% from January 1, 2010 through November 1, 2010, going from \$3.31 per share to \$4.15 per share.

Citigroup reported net income of \$9.3 billion in the first nine months of 2010 versus \$6.0 billion in the first nine months of 2009. Their provision for credit losses and benefits declined to \$5.9 billion which is the lowest level since the second quarter of 2007. The growth in net income is attributable to improved revenues, continued monitoring of expenses and a decline in the cost of credit.

Citigroup has reduced headcount to 258, 000 at September 30, 2010 versus 375,000 at the peak level in 2007. Total Operating Expenses were 2% lower during the nine months ended September 30, 2010 as compared to the same period in 2009.

During 2009, Citigroup repaid \$20 billion of TARP (Troubled Asset Relief Program) trust preferred securities and exited a loss sharing agreement. As a result of these transactions, effective in 2010, Citigroup is no longer deemed to be a beneficiary of “exceptional financial assistance” under TARP. As of December 31, 2009, the United States Treasury Department owned 27% of Citigroup’s stock.

In order to be “well capitalized” under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10% , and a Leverage ratio of at least 3%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. At September 30, 2010, the Tier 1 Capital Ratio was 12.5%, Total Capital Ratio was 16.1% and the Leverage Ratio was 6.6%. Citigroup is considered “well capitalized” under the federal regulatory agency definitions at September 30, 2010.

The operating environment for Citigroup continues to be difficult but the stock price has been trending upward since the first quarter of 2009 and the profit of the core business more than doubled in 2009 versus 2008. Management at Citigroup has substantially reduced operating expenses and headcount which should help operating results in future periods. Citigroup is no longer deemed to be a beneficiary of “exceptional financial assistance” under TARP and is considered to be “well capitalized” under the federal regulatory agency definitions at September 30, 2010.

After considering the available positive and negative evidence in addition to the ability of Daxor to hold the stock until the market price exceeds our cost, management has determined that an impairment charge is not necessary at September 30, 2010 on Citigroup.

Daxor Corporation  
Summary of Unrealized Losses on Dynegey, Inc and Citigroup, Inc..  
As of September 30, 2010

	Total Cost	Less Than Twelve Months		Tweleve Months or Greater		Total	
		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Security Dynegey, Inc.	\$ 720,723	\$ 167,041	\$ 53,742	\$ 261,519	\$ 238,421	\$ 428,560	\$ 292,163
Citigroup, Inc.	1,946,389	—	—	1,287,981	658,408	1,287,981	658,408
Total	\$ 2,667,112	\$ 167,041	\$ 53,742	\$ 1,549,500	\$ 896,829	\$ 1,716,541	\$ 950,571

#### Dividend Income

Dividend income earned on the Company’s security portfolio for the three months ended September 30, 2010 was \$635,678 versus \$729,731 for the same period in 2009 for a decrease of \$94,053 or 12.88%.

#### Investment Gains (Losses)

Gains on the sale of investments were \$2,370,510 for the three months ended September 30, 2010 versus \$4,482,999 for the same period in 2009 for a decrease of \$2,112,489. For the three months ended September 30, 2010, the Company recorded a gain from marking put and call options to market of \$3,945,415. For the three months ended September 30, 2009, the Company recorded income from marking put and call options to market of \$896,426. Interest expense net of interest income was \$20,323 for the three months ended September 30, 2010 versus \$37,898 for the three months ended September 30, 2009. Administrative expenses relating to portfolio investments were \$35,227 in 2010 versus \$45,986 for the same period in 2009.



## RESULTS OF OPERATIONS

Nine months ended September 30, 2010 as compared with nine months ended September 30, 2009:

## Operating Revenues and Expenses

For the nine months ended September 30, 2010, consolidated operating revenues decreased to \$1,217,885 from \$1,228,833 for the same period in 2009, a decrease of \$10,948. The Company sold one Blood Volume Analyzer during the current nine month period for \$65,000 versus no machines being sold during the same period in the previous year. This was offset by a decrease in revenue from Blood Volume Kit Sales of \$86,626 or 10.10% from \$857,321 to \$770,695. The number of kits sold decreased by 9.71% or by 260 kits from 2,679 to 2,419 during the current period.

There were 56 Blood Volume Analyzers placed at September 30, 2010 versus 55 at September 30, 2009. For the nine months ended September 30, 2010, the Company provided 212 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 269 during the same period in 2009.

The following tables provide gross margin information on Equipment Sales & Related Services for the nine months ended September 30, 2010 and September 30, 2009:

Equipment Sales and Related Services:	Kit Sales Nine Months Ended September 30, 2010	Equipment Sales and Other Nine Months Ended September 30, 2010	Total Nine Months Ended September 30, 2010
Revenue	\$ 770,695	\$ 188,234	\$ 958,929
Cost of Goods Sold	365,955	150,349	516,304
Gross Profit	\$ 404,740	\$ 37,885	\$ 442,625
Gross Profit Percentage	52.6%	20.1%	46.1%

Equipment Sales and Related Services:	Kit Sales Nine Months Ended September 30, 2009	Equipment Sales and Other Nine Months Ended September 30, 2009	Total Nine Months Ended September 30, 2009
Revenue	\$ 857,321	\$ 111,563	\$ 968,884
Cost of Goods Sold	346,137	153,122	499,259
Gross Profit (Loss)	\$ 511,184	\$ (41,559)	\$ 469,625
Gross Profit (Loss) Percentage	59.6%	(37.3)%	48.5%

A major reason for the decrease in gross profit percentage on kit sales during the current nine month period was price increases of between 4%-10% on various items used in production of blood volume kits. These additional costs were not passed on to our customers, contributing to a reduction in our gross profit percentage on kit sales.

The additional revenues for Equipment Sales and Other during the current and previous nine month period consist almost entirely of shipping charges and service contract revenue.

The Company had a gross profit of \$37,885 on Equipment Sales and Other for the nine months ended September 30, 2010 versus a gross loss for the nine months ended September 30, 2009 of (\$41,559). This can be attributed to the sale of one Blood Volume Analyzer for \$65,000 during the current nine month period versus no machines being sold

during the same period in the previous year.

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Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$4,116,973 for the nine months ended September 30, 2010 versus \$3,711,253 for the same period in 2009, for an increase of \$405,720 or 9.85%. The main reasons for this were increases in Research and Development expenses of \$321,102 and Professional Fees of \$225,801.

Research & Development expenses for Equipment Sales and Related Services were \$2,166,121 for the nine months ended September 30, 2010 versus \$1,845,019 for the same period in 2009 for an increase of \$321,102 or 17.40%. Daxor is committed to making Blood Volume Analysis a standard of care in at least three different disease states. In order to achieve this goal, we are continuing to spend time and money in research and development to get the best product to the market. We are still working on the following three projects: 1) GFR: Glomerular Filtration Rate, 2) Total Body Albumin Analysis, and 3) Wipes tests for radiation contamination/detection. We are also progressing on the next version of the delivery device for the radioactive dose Volumex. The current version is the "Max-100" which has a patent. The next version, the "Max-200" will be without a needle and should afford the company extended protection with a second patent when it is completed.

Operating revenues for the Cryobanking segment, which includes both blood banking and semen banking, decreased to \$258,956 in 2010 from \$259,949 in 2009, for a decrease of \$993.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$690,073 for the nine months ended September 30, 2010 versus \$692,311 for the same period in 2009, for a decrease of \$2,238.

#### Consolidated Operating Expenses

The total consolidated operating expenses for the first nine months of 2010 were \$5,349,976 versus \$4,936,868 in 2009 for an increase of \$413,108 or 8.36%. The major reasons for this were increases in Research and Development Expenses of \$335,893 and Professional Fees of \$195,901 during the current period.

#### Investing Segment

#### Dividend Income

Dividend income earned on the Company's security portfolio for the nine months ended September 30, 2010 was \$1,722,944 versus \$2,353,240 for the same period in 2009 for a decrease of \$630,296 or 26.78%. The main reason for this decrease was the receipt of a onetime special dividend of \$282,425 on a stock which was in the Company's investment portfolio at March 31, 2009.



### Investment Gains (Losses)

Gains on the sale of investments were \$9,936,557 for the nine months ended September 30, 2010 versus \$9,934,443 for the same period in 2009 for an increase of \$2,114. For the nine months ended September 30, 2010, the Company recorded a loss from marking put and call options to market of (\$1,416,884). For the nine months ended September 30, 2009, the Company recorded income from marking put and call options to market of \$412,704. Interest expense net of interest income was \$35,506 for the nine months ended September 30, 2010 versus \$165,425 for the nine months ended September 30, 2009. Administrative expenses relating to portfolio investments were \$101,244 in 2010 versus \$109,286 for the same period in 2009.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's management has pursued a policy of maintaining sufficient liquidity and capital resources in order to assure continued availability of necessary funds for the viability and projected growth of all ongoing projects.

As of September 30, 2010, cash and cash equivalents totaled \$107,043 versus \$277,088 at December 31, 2009. Cash used in operating activities was \$3,854,809 for the nine month period ended September 30, 2010. The decrease was primarily due to funding the loss from operations of \$4,132,091 for the current nine month period.

Cash provided by investing activities was \$2,950,520 for the nine months ended September 30, 2010. This increase is mainly attributable to the proceeds from sales of put and calls options of \$14,344,491 and available for sale securities of \$11,383,466 which were largely offset by the acquisition of available for sale securities of \$21,818,503.

A total of \$734,244 of cash was provided during the current nine month period from financing activities. This was mainly due to proceeds received from margin loans of \$29,622,601 which were offset by repayment of margin loans of \$27,137,287 and \$1,482,076 of dividend payments.

The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without the income from the investment portfolio, the Company would have needed to raise additional operating funds through either debt or equity financing or a combination of the two. The Company's portfolio has maintained a net value above historical cost for each of the past 103 consecutive quarters.

The Company's investment goals, strategies and policies are as follows:

1. The Company's investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, the Company maintains a diversified securities portfolio comprised primarily of electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and may have net short positions in common stock up to 15% of the value of the portfolio. The Company's net short position may temporarily rise to 15% of the Company's portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company's investment policy is to maintain a minimum of 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value of the portfolio.
3. Investment in speculative issues, including short sales, maximum of 15%.

4. Limited use of options to increase yearly investment income.
  - a. The use of “Call” Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the Company’s investments. The risk of this strategy is that investments may be called away, which the Company may have preferred to retain. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of five years for available for sale securities.
  - b. The use of “Put” options. Put options are written on stocks which the Company is willing to purchase. While the Company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing Company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the Company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the cost basis of the stock is lower than the market price at the time the option is exercised.

- c. Speculative Short Sales/Short Options. The Company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The Company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the call, the option is not exercised and the Company records the proceeds from the sale of the call as income. If the call is exercised, the Company will have a short position in the related stock. The Company then has the choice of covering the short position, or selling a put against it. If the put is exercised, then the short position is covered. The Company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the Company may have so-called speculative positions equal to 15% of its accounts, in actual practice the net short stock positions usually account for less than 10% of the assets of the Company.
5. In the event of a merger, the Company will elect to receive shares in the new company if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.

The income derived from these investments has been essential to help offset the research, operating and marketing expenses of developing the Blood Volume Analyzer. The Company has followed a conservative policy of assuring adequate liquidity so that it can expand its marketing and research and development without the sudden necessity of raising additional capital. The securities in the Company's portfolio are selected to provide stability of both income and capital. The Company has been able to achieve financial stability because of these returns, which have covered a significant portion of the Company's continuing losses from operations. The Company's investment policy is reviewed at least once yearly by the Board of Directors and the Audit Committee. Individual investment decisions are made solely by the Company's CEO, Dr. Joseph Feldschuh.

The Company currently has adequate resources for the current level of marketing and research and development expenses for the BVA-100 Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company may not, at the present time, have adequate resources to expand its marketing force to all areas of the country. The Company is simultaneously expanding its research and development efforts to develop additional instrumentation for renal function testing, specifically glomerular filtration testing. The Company recently explored the potential for raising additional capital but the terms would have been disadvantageous to existing shareholders. The current primary focus is on the BVA-100 Blood Volume Analyzer with respect to expenditure of resources. The Company anticipates hiring additional regional managers to the existing sales/marketing team. It is the goal of the marketing team to develop an individual sales team for each regional manager. The Company is also expanding its support services personnel.

#### CRITICAL ACCOUNTING POLICIES

The consolidated financial statements and accompanying footnotes included in this report have been prepared in accordance with accounting principles generally accepted in the United States with certain amounts based on management's best estimates and judgments. To determine appropriate carrying values of assets and liabilities that are not readily available from other sources, management uses assumptions based on historical results and other factors that they believe are reasonable. Actual results could differ from those estimates.

Our critical accounting policies, are described in our Annual Report on Form 10-K for the year ended December 31, 2009. There have been no material changes to our critical accounting policies as of and for the three and nine month periods ended September 30, 2010.

#### CODE OF ETHICS AND BUSINESS CONDUCT

The Company has a Code of Ethics and Business Conduct which was approved by the Board of Directors in March 2005. The Code of Ethics and Business Conduct applies to all directors, officers, employees and other representatives of the Company including the Chief Executive Officer and Chief Financial Officer. A copy of the Code of Ethics and Business Conduct is available for free at [www.daxor.com](http://www.daxor.com)

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Securities and Exchange Commission's rule related to market risk disclosure requires that we describe and quantify our potential losses from market risk sensitive instruments attributable to reasonably possible market changes. Market risk sensitive instruments include all financial or commodity instruments and other financial instruments that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors.

We are not exposed to market risks from changes in foreign currency rates. The Company maintains an investment portfolio primarily consisting of electric utility companies which are publicly traded common and preferred stock. These are categorized as available-for-sale securities.

In addition to receiving income from dividends, the Company also has an investment policy of selling puts on stocks that it is willing to own. Such options usually have a maturity of less than 1 year. The Company will also sell covered calls on securities within its investment portfolio. Covered calls involve stocks, which usually do not exceed 15% of the value of the company's portfolio and have never exceeded 15% of the company's portfolio value.

The Company will, at times, sell naked or uncovered calls, as well as, engage in short sales as part of a strategy to mitigate risk. Such short sales are usually less than 15% of the company's portfolio value.

Puts, calls and short sales, collectively referred to as short positions, are all marked to market for each reporting period and any gain or loss is recognized through the Statement of Operations and labeled as "Mark to market of short positions".

The Company's investment strategy is reviewed at least once a year, and more frequently as needed, at board meetings. The Company's investing policy permits investment in non-electric utilities for up to 20% of the corporate portfolio value. This percentage may be temporarily increased to 30% if deemed necessary by management.

At September 30, 2010 and December 31, 2009, available for sale securities consisted mostly of preferred and common stocks of utility companies. At September 30, 2010 and December 31, 2009, 96.22% and 96.13% of the market value of the Company's available for sale securities is made up of common stock, respectively.

The Company's portfolio value is exposed to fluctuations in the general value of electric utilities. An increase of interest rates could put downward pressure on the valuation of utility stocks. The Company believes that its exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 87 separate common and preferred stocks. As of September 30, 2010 there were three holdings of common stock which comprised 32.67% of the total market value of the available for sale investments. These three holdings are FirstEnergy, Exelon and Entergy

Electric utilities operate in an environment of federal, state and local regulations, and they may disproportionately affect an individual utility.

The Company is not exposed to any foreign currency risk or commodity price risk through its holdings of equity securities and put and call options.

The Company is not exposed to any interest rate risk since it does not have any long term debt other than a fixed rate mortgage securing real property in Oak Ridge, Tennessee.



Summary of Available for Sale Securities as of September 30, 2010 (Unaudited)

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$ 55,878,129	\$ 32,072,963	\$ 23,805,166	\$ 25,287,525	\$ (1,482,359 )
Preferred Stock	2,195,966	1,979,264	216,702	517,330	(300,628 )
Total Equity Securities	\$ 58,074,095	\$ 34,052,227	\$ 24,021,868	\$ 25,804,855	\$ (1,782,987 )

Summary of Unrealized Losses of Available for Sale Securities as of September 30, 2010 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	
Marketable Equity Securities	\$ 4,377,210	\$ 313,552	\$ 3,171,185	\$ 1,469,435	\$ 7,548,395	\$ 1,782,987

Summary of Unrealized Gains on Available for Sale Securities as of September 30, 2010 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	Unrealized Gains
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value	
Marketable Equity Securities	\$ 6,207,798	\$ 553,704	\$ 44,317,902	\$ 25,251,151	\$ 50,525,700	\$ 25,804,855

Summary of Proceeds Received and Market Valuation as of September 30, 2010 (Unaudited)

Put and Call Options

Total Proceeds Received on open positions at 01/01/10	Sale of Options from 01/01/10-09/30/10	Expirations and Assignments of Options from 01/01/10-09/30/10	Proceeds Received on open positions at 09/30/10	Market Value at 09/30/10	Unrealized Appreciation at 09/30/10
\$ 9,605,476	\$ 14,344,491	\$ 14,539,695	\$ 9,410,272	\$ 5,470,803	\$ 3,939,469

Summary of Available for Sale Securities as of December 31, 2009

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$ 51,207,654	\$ 26,673,055	\$ 24,534,599	\$ 26,771,744	\$ (2,237,145 )
Preferred Stock	2,063,072	1,957,094	105,978	370,187	(264,209 )
Total Equity Securities	\$ 53,270,726	\$ 28,630,149	\$ 24,640,577	\$ 27,141,931	\$ (2,501,354 )

## Summary of Proceeds Received and Market Valuation as of 12/31/09

## Put and Call Options

Total Proceeds Received on open positions at 1/1/09	Sale of Options from 1/1/09-12/31/09	Expirations and Assignments of Options from 1/1/09-12/31/09	Proceeds Received on open positions at 12/31/09	Market Value at 12/31/09	Unrealized Appreciation at 12/31/09
\$ 13,811,975	\$ 26,044,493	\$ 30,250,992	\$ 9,605,476	\$ 4,249,123	\$ 5,356,353

## Summary of Unrealized Losses on Available for Sale Securities as of December 31, 2009

	Less Than Twelve Months Fair Value	Unrealized Loss	Twelve Months or Greater Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
Marketable Equity Securities	\$ 2,874,316	\$ 1,451,436	\$ 1,917,505	\$ 1,049,918	\$ 4,791,821	\$ 2,501,354

## Summary of Unrealized Gains on Available for Sale Securities as of December 31, 2009

	Less Than Twelve Months Fair Value	Unrealized Gains	Twelve Months or Greater Fair Value	Unrealized Gains	Total Fair Value	Unrealized Gains
Marketable Equity Securities	\$ 4,025,079	\$ 696,783	\$ 44,453,826	\$ 26,445,148	\$ 48,478,905	\$ 27,141,931

## Item 4. Controls and Procedures

As of September 30, 2010, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the quarter ended September 30, 2010 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in its periodic SEC filings. During the quarter ended September 30, 2010, there were no significant changes in internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

The Company's management and board of directors are fully committed to the review and evaluation of the procedures and policies designed to assure effective internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, the Company is the subject of legal proceedings arising in the ordinary course of business.

In 2005 and 2007, the Company and Dr. Joseph Feldschuh, its President and Chief Executive Officer, respectively, received Wells Notices from the Securities and Exchange Commission ("SEC") requesting their comments on the SEC Staff's view that the Company was in violation of Section 7(a) of the Investment Company Act in that it was operating as an unregistered investment company. The Company and Dr. Feldschuh responded to those requests when made.

In November 2009, the staff of the Northeast Regional Office of the SEC contacted the Company and invited both the Company and Dr. Feldschuh to make a new Wells submission based upon more recent operations and results. The Company and Dr. Feldschuh responded to the staff's invitation on December 20, 2009.

In June 2010, Dr. Feldschuh was subpoenaed to testify at a deposition by the staff of the Northeast Regional Office of the SEC. He was represented by counsel and testified under oath for approximately seven hours.

On, September 20, 2010, Daxor Corporation issued a press release announcing that the SEC had instituted administrative proceedings pursuant to the Investment Company Act of 1940 on September 17, 2010. These proceedings were initiated by the staff of the Enforcement Division located in New York City.

The following provides more extensive detail on this issue and its significance for Daxor, the shareholders and, most importantly, the general public.

Daxor was originally founded in 1971 as a biotechnology company specializing in semen cryopreservation and blood storage. Dr. Joseph Feldschuh, the current President of Daxor assumed this role in 1974 when the company was approximately two weeks away from bankruptcy. Dr. Feldschuh acquired a majority interest in the company and personally signed for the liabilities of the company, and accepted a token salary as part of the salvage procedures.

During the 1970s many public and private sperm banks went into bankruptcy. In a significant number of instances, the semen that was stored, primarily of cancer patients, was lost. The Idant Division of Daxor is still in operation and its activities have resulted in over 19,000 children being born from semen stored in its New York storage facility.

Dr. Feldschuh, who has held academic positions at New York Medical College and Cornell Medical School, did the basic research on the norms for blood volume for individuals. Prior to this research it was believed that blood volumes were the same percent of body weight for all individuals. Dr. Feldschuh, working in the Nobel Prize winning laboratory of Dr. Andre Cournand at Columbia University, showed that this was not the case, and that blood volume actually varied from between 4% to over 10% of a person's weight, depending on the degree of leanness or obesity.

This discovery was published in *Circulation* in 1977. Despite this research, blood volume measurements still were uncommon because it took from four to eight hours of a technician's time to perform a blood volume. In 1983, under Dr. Feldschuh's direction, the company began to raise funds to develop an automated blood volume analyzer. This led to a successful secondary offering in 1985 which raised approximately \$7 million.

Daxor remained profitable from operations through the year ended December 31, 1991. The Company invested excess funds in utility stocks which were considered safe and provided a steady flow of dividend income. The return from investments in utility stocks was more than the Company would have earned if these funds had been invested in

Treasury Bills.

In 1984, as part of the underwriting procedure, the SEC had questioned whether this practice turned the company into an inadvertent investment company. At a meeting which took place in Washington, D.C. with the Deputy Chief Counsel of the Division of Investment Management of the SEC and Dr. Joseph Feldschuh and Daxor Corporate Counsel, the company's activities were reviewed and the company was deemed not to be an investment company, the underwriting was permitted to proceed which raised approximately \$7 million.

In 1985 the company started the first long-term, self-storage blood banking facility in the U.S. Frozen blood technology which allowed for successful blood storage for up to 10 years, had been available since the early 1960s but had met significant opposition from community blood banks who feared it might impact on their own blood collection.

The safest blood has always been acknowledged to be one's own, but despite the self-evident idea that unless one had stored when one didn't need it, someone was very unlikely to have blood available when they needed it. The idea of donating to oneself one to two weeks before elective surgery usually leaves an individual anemic. Furthermore, it had recently been shown that after blood is refrigerated more than two weeks, it loses some of its oxygen carrying capacity. In contrast, freshly thawed blood does not have this defect.

By 1987, the company was able to successfully develop a working model of an automated blood volume analyzer when it encountered a totally unanticipated problem. The only manufacturer of albumin I131 utilizing an isotope used in the measurement of blood volume, had transferred its license to another company. That company encountered eight years of delays in receiving FDA approval for its product. That Company eventually received approval from the FDA with the assistance of Daxor Corporation personnel.

Approximately 10 years ago the company began its beta testing phase of the automated blood volume analyzer.

The Company markedly expanded its research and development efforts as it became clear that despite the obvious benefit of being able to measure a patient's blood volume in multiple conditions, peer review publications demonstrating the benefits of the blood volume analyzer were required.

During the seven year period ended December 31, 2009, the Company had cumulative operating losses of approximately \$32.7 million. In 2007, the Company undertook a major expansion of its operation by purchasing two 10,000 sq. ft. buildings in Oak Ridge, Tennessee, which will provide additional manufacturing and laboratory space.

Since 2002, there have been 26 research and review articles presented regarding Blood Volume Analysis and 16 presentations at major medical conferences.

Without the additional income provided by its investment portfolio, the Company would have gone bankrupt in 2006 or sooner. The past three to five year period in particular has been a very difficult time for businesses to raise capital especially given the major financial upheavals that have taken place.

The Investment Company Act of 1940 (“ICA”) defines an investment company to include any issuer engaged in the business of owning or holding securities that owns “investment securities” having a value in excess of 40% of such issuer’s total assets (exclusive of Government securities and cash items) on an unconsolidated basis (the “Quantitative Test”), subject to certain exemptions.

The ICA recognizes that, notwithstanding that an issuer may fall within this definition based upon the Quantitative test, it may still be an operating company. The ICA therefore provides that, notwithstanding the Quantitative Test, an issuer is not an investment company if it is “primarily engaged ... in a business or businesses other than that of investing” (the “Qualitative Test”).

For Daxor, a qualitative test could possibly take the following factors into account:

The Company’s historical development – The Company’s 10-K and 10-Q filings have consistently documented that Daxor is primarily engaged in research and development and marketing of healthcare services and medical equipment.

Public representation of policy- The Company’s annual reports, press releases and 10-K and 10-Q filings have always focused primarily on the operating segments of the Company.

Activities of the officers and board of directors- Daxor has approximately 45 full and part time employees. The only person involved in actively managing the Company’s portfolio is Dr. Joseph Feldschuh. He spends between 25-30% of his time managing the portfolio and is also the Company’s Chief Scientist. It was disclosed in the Company’s June 30, 2010 10-Q that he has no formal business training and only took one course in economics while in High School. He does not use computer algorithms to make his financial decisions and works with one part time assistant whose responsibility is to update the security positions.

In our Form 10-K for the years ended December 31, 2005, 2006, 2007 and 2008, the company addressed the investment company issue in great detail and provided graphs showing its return on investments going back over ten years, as well as investment returns if money had been invested in Treasury bills. Most significantly, these graphs demonstrate clearly that had the company invested in Treasury Bills, it would have gone bankrupt in 2006 or sooner. The Company also greatly increased disclosure relating to investment results and policies and procedures in response to suggestions from the Staff of the SEC Corporate Finance Group in Washington, D.C.

During the ten year period ended December 31, 2009, the Company’s annual return on invested capital ranged from a low of 8% for the year ended December 31, 2000 to a high of 66% for the year ended December 31, 2007. The Company earned a positive return on invested capital during each of the ten years ended December 31, 2009. The total income from investments during this ten year period was approximately \$75.1 million ranging from a low of \$1.9 million for the year ended December 31, 2000 to a high of \$25.0 million for the year ended December 31, 2008. The Company earned approximately \$55.0 million of income from investments during the three year period ended December 31, 2009 as follows: \$17.6 million during the year ended December 31, 2007; \$25.0 million during the year ended December 31, 2008 and \$12.4 million during the year ended December 31, 2009. The return on invested capital during those three years was 66% in 2007, 62% in 2008 and 31% in 2009.

The Company incurred operating losses of approximately \$38.3 million during this ten year period. During this ten year period the rate of return on three month Treasury Bills ranged from a high of 5.82% in 2000 to a low of 0.15% in 2009. The average rate of return during this ten year period was 2.70%. The rate of return on three month Treasury Bills from January 1, 2010 through September 2010 has ranged from 0.05% to 0.16%.

To the best of the Company's knowledge, of the 6,000 companies reporting to the SEC, it is unaware of any company except Daxor where a single individual supports the entire company by cash management, particularly when there are large, continuing operating losses. The quarter ended September 30, 2010 was the 103rd consecutive quarter where the fair market value of the Company's available for sale securities were above historical cost. If the Company had followed a policy of investing in Treasury Bills and incurred the same level of operating losses, Daxor would have been bankrupt by 2006 or sooner.

In prior responses to the SEC, we have pointed out in great detail that the income from the Company's investment portfolio has been necessary in order to cover the ongoing losses from operations.

The Board of Directors will have to consider whether to take the Company private or not. The Company has a small enough number of listed shareholders that it could go private. When companies go private there is a loss of liquidity. Shareholders retain their right of ownership but the liquidity that goes with being a public company goes absent. Shares may still be sold privately, but not with the ease with which publicly traded company shares can be bought or sold. There are considerable cost savings such as but not limited to decreased legal and audit fees and decreased costs of reporting to the SEC.

Lastly, however, there is a much bigger issue at stake here than the financial welfare of Daxor or its shareholders. Daxor is engaged in major areas of research such as the optimal treatment of congestive heart failure utilizing the Blood Volume Analyzer. The accurate measurement of blood volume has the potential to transform the treatment in many medical and surgical conditions. It is no exaggeration to state that hundreds of thousands of patients every year suffer either death or serious mortality or morbidity from improper treatment because physicians did not understand what the patient's actual blood volume status was.

We are hopeful that this process with the SEC will come to a favorable resolution for the Company and for the public.

We intend to use every possible resource available to us to achieve this end. The Company expects the administrative proceeding to take place during the latter part of the first quarter of 2011.

#### Item 1A. Risk Factors

On September 17, 2010, the SEC instituted administrative proceedings pursuant to the Investment Company Act of 1940. The New York City staff of the Enforcement Division of the SEC are claiming that Daxor is an investment company. The Company has disclosed in previous filings that it is dependent upon earnings from its investment portfolio to fund operations.

This proceeding is discussed in greater detail in Note (9) Certain Concentrations and Contingencies and Item 1, Legal Proceedings of this Form 10-Q.

The Company has a significant dependence on a single individual, Dr. Joseph Feldschuh, who is the CEO of the Company. Dr. Feldschuh is the Chief Scientist of the Company and is believed to have more experience with blood volume measurement than any other physician in the United States. He is also the co-inventor of the BVA-100, the inventor of the blood volume kit and a new Blood Volume Analyzer which will incorporate a method for total body albumin analysis.

He is involved in assisting and advising various physician groups that are conducting research. His scientific knowledge would be difficult to replace. However, if Dr. Feldschuh was unable to continue in his present scientific capacity, there are individuals currently working for Daxor who would be able to continue his activities in this area.

Dr. Feldschuh is currently writing three different books on the Blood Volume Management with the help of two assistants and each book is directed at a different segment of the medical community. These books are expected to be ready for publication by the end of 2011. These books could not be completed without Dr. Feldschuh's expertise. However, there are enough physicians with sufficient experience in the use of the Blood Volume Analyzer who would be able to expand the clinical use and research on the Blood Volume Analyzer without Dr. Feldschuh's input.

In 2009, the members of the Board of Directors determined that it was in the best interests of employees and shareholders to address the issue of leadership succession in case Dr. Feldschuh was unable to continue in his current roles. His son, Jonathan Feldschuh, who is the co-inventor of the BVA-100 that is currently in use, would take over the scientific responsibilities until a permanent Chief Scientific Officer could be found. Jonathan Feldschuh currently

works for Daxor as a consultant on a limited basis.

However, Dr. Feldschuh is also the sole individual responsible for investment decisions with respect to the Company's investment portfolio. The Company's investment goals, strategies and policies are described in detail in this filing and previous quarterly and annual filings. These goals, strategies and policies have been largely developed by Dr. Feldschuh utilizing financial newspapers and a single advisory service. There are no computer algorithms used in the management of the investment portfolio. Dr. Feldschuh manages the portfolio and is assisted by a single part time administrative assistant who has no role in any of the investment decisions.

The loss of his services in this area would be expected to result in a material reduction in return on the Company's assets. Dr. Feldschuh has no formal training in business and has been primarily educated and trained as a Physician and a Scientist with significant knowledge of mathematics, biology and related sciences.

The Company has maintained and increased spending on research and development even as operating losses have increased. In order to help fund the operating loss and allow the Company's research and development efforts to continue, Dr. Feldschuh decided to increase the amount of option trading. The option trading had previously been a part of the Company's investment strategy. This allowed the Company to earn significantly increased returns during a period of extreme volatility in the markets.

Dr. Feldschuh recommended that the assets in the Company's investment portfolio not be entrusted to any financial manager, hedge fund or asset manager in case he is no longer able to function in his role of managing the Company's investment portfolio. The Board of Directors approved Dr. Feldschuh's recommendation that no funds from the Company's portfolio would be transferred to a hedge fund or financial manager for management and the positions in utility stocks would be kept in an effort to maintain the current level of dividend income.

In the event that Dr. Feldschuh is unable to continue in his role of managing the Company's investment portfolio, no new option positions would be initiated and Michael Feldschuh, the son of Dr. Joseph Feldschuh would assist in the process of closing the option positions that would be open at the time Dr. Feldschuh is unable to continue in his current capacity. Michael Feldschuh has eighteen years of experience as a hedge fund manager. The Company would then be limited to dividend income from its portfolio of available for sale securities. It is highly unlikely that this dividend income would be sufficient to cover the current level of operating losses. The Board of Directors would then determine what appropriate steps should be taken.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

#### Item 3. Defaults upon Senior Securities

None.

#### Item 4. Removed and Reserved

None

#### Item 5. Other Information

None.



Item 6. Exhibits to Quarterly Report on Form 10-Q

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|------|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: November 11, 2010

By: /s/ JOSEPH FELDSCHUH, M.D.  
JOSEPH FELDSCHUH, M.D.,  
President  
Chief Executive Officer  
Chairman of the Board of Directors  
Principal Executive Officer