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DAXOR CORP  
Form 10-Q  
November 09, 2004

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, 2004  
Commission File Number 0-12248

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

| CLASS                      | OUTSTANDING AT September 30, 2004 |
|----------------------------|-----------------------------------|
| COMMON STOCK               |                                   |
| PAR VALUE: \$.01 per share | 4,610,826                         |

PART I. FINANCIAL INFORMATION

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**DAXOR CORPORATION  
FINANCIAL STATEMENTS**

**DAXOR CORPORATION  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|                                                                                                     | September 30,<br>2004<br><u>          </u> | December 31,<br>2003<br><u>          </u> |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|
| <b>ASSETS</b>                                                                                       |                                            |                                           |
| <b>CURRENT ASSETS</b>                                                                               |                                            |                                           |
| Cash                                                                                                | \$ 64,107                                  | \$ 3,324                                  |
| Marketable Securities at Fair Value<br>September 30, 2004 and December 31,<br>2003. (Notes 1 and 2) | 51,134,384                                 | 47,399,159                                |
| Accounts receivable                                                                                 | 177,756                                    | 137,008                                   |
| Other current assets                                                                                | 427,039                                    | 388,400                                   |
|                                                                                                     | <u>                    </u>                | <u>                    </u>               |
| Total Current Assets                                                                                | 51,803,286                                 | 47,927,891                                |
| <b>EQUIPMENT AND IMPROVEMENTS</b>                                                                   |                                            |                                           |
| Storage tanks                                                                                       | 125,815                                    | 125,815                                   |
| Leasehold improvements, furniture<br>and equipment                                                  | 952,612                                    | 931,468                                   |
| Laboratory equipment                                                                                | 291,571                                    | 291,571                                   |
|                                                                                                     | <u>                    </u>                | <u>                    </u>               |
|                                                                                                     | 1,369,998                                  | 1,348,854                                 |
| Less: Accumulated depreciation and amortization                                                     | 1,081,111                                  | 1,045,481                                 |
|                                                                                                     | <u>                    </u>                | <u>                    </u>               |
| Net equipment and improvements                                                                      | 288,887                                    | 303,373                                   |
| Other Assets                                                                                        | 69,268                                     | 69,268                                    |
| Total Assets                                                                                        | \$ 52,161,441                              | \$ 48,300,532                             |
|                                                                                                     | <u>                    </u>                | <u>                    </u>               |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|                                          |                             |                             |
|------------------------------------------|-----------------------------|-----------------------------|
| <b>CURRENT LIABILITIES</b>               |                             |                             |
| Accounts payable and accrued liabilities | \$ 101,280                  | \$ 183,052                  |
| Loans payable (Notes 1 and 2)            | 4,394,365                   | 2,502,106                   |
| Other Liabilities                        | 565,127                     | 667,123                     |
| Deferred Taxes (Note 1)                  | 9,523,003                   | 8,531,081                   |
|                                          | <u>                    </u> | <u>                    </u> |
| Total Liabilities                        | 14,583,775                  | 11,883,362                  |

**SHAREHOLDERS' EQUITY**

Common stock, par value \$.01 per share:  
Authorized 10,000,000 shares: issued and  
outstanding shares 4,610,826 September 30,

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|                                                                           | September 30,<br>2004 | December 31,<br>2003 |
|---------------------------------------------------------------------------|-----------------------|----------------------|
| 2004 and 4,640,026 December 31, 2003                                      | 53,097                | 53,097               |
| Additional Paid in capital                                                | 9,808,526             | 9,801,548            |
| Net unrealized holding gains<br>on available-for-sale securities (Note 1) | 18,485,830            | 16,560,334           |
| Retained earnings                                                         | 14,869,302            | 15,169,967           |
| Treasury stock                                                            | (5,639,089)           | (5,167,776)          |
| Total Shareholders' Equity                                                | 37,577,666            | 36,417,170           |
| Total Liabilities and Shareholders' Equity                                | \$ 52,161,441         | \$ 48,300,532        |

See accompanying notes to financial statements

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DAXOR CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

|                                                     | THREE MONTHS ENDED<br>September 30, |              | NINE MONTHS ENDED<br>September 30, |              |
|-----------------------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                                     | 2004                                | 2003         | 2004                               | 2003         |
| <b>REVENUES:</b>                                    |                                     |              |                                    |              |
| Operating revenues                                  | \$ 277,975                          | \$ 301,816   | \$ 940,958                         | \$ 810,910   |
| Other revenues                                      | 3,817                               | 3,143        | 11,103                             | 11,429       |
| Dividend income                                     | 516,525                             | 527,591      | 1,483,325                          | 1,438,232    |
| Gains (losses) on sale<br>of securities             | 321,232                             | 71,633       | 747,928                            | 152,896      |
| Total Revenues                                      | 1,119,549                           | 904,183      | 3,183,314                          | 2,413,467    |
| <b>COSTS AND EXPENSES</b>                           |                                     |              |                                    |              |
| Operations of Laboratories &<br>Cost of Production  | 298,281                             | 463,432      | 1,015,329                          | 1,144,374    |
| Selling, General, and<br>Administrative             | 842,582                             | 596,638      | 2,379,960                          | 1,891,992    |
| Interest expense, net of<br>interest income         | 34,979                              | 25,012       | 66,955                             | 58,594       |
| Total Costs and Expenses                            | 1,175,842                           | 1,085,082    | 3,462,244                          | 3,094,960    |
| Net Income (Loss) Before<br>Income Taxes            | (56,293)                            | (180,899)    | (278,930)                          | (681,493)    |
| Provision for income taxes                          | 2,675                               | (858)        | 21,735                             | 20,787       |
| Net Income (Loss)                                   | \$ (58,968)                         | \$ (180,041) | \$ (300,665)                       | \$ (702,280) |
| Weighted Average Number<br>of Shares Outstanding    | 4,610,493                           | 4,645,826    | 4,619,048                          | 4,649,347    |
| Net Income of (Loss) per<br>Common Equivalent Share | \$ (0.01)                           | \$ (0.04)    | \$ (0.06)                          | \$ (0.15)    |

See accompanying notes to financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED

|                                                                                                | September 30,<br>2004 | September 30,<br>2003 |
|------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                |                       |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                    |                       |                       |
| Net income or (loss)                                                                           | \$ (300,665)          | \$ (702,280)          |
| Adjustments to reconcile net income<br>(loss) to net cash provided by<br>operating activities: |                       |                       |
| Depreciation & Amortization                                                                    | 35,630                | 36,644                |
| (Gain) loss on sale of investments                                                             | (747,928)             | (152,896)             |
| Basis of leased equipment sold                                                                 |                       | 45,000                |
| Change in assets and liabilities:                                                              |                       |                       |
| (Increase) decrease in accounts receivable                                                     | (40,748)              | (69,546)              |
| (Increase) decrease in other current assets                                                    | (38,639)              | (8,156)               |
| Increase (decrease) in accounts payable, accrued<br>and other liabilities net of short sales   | (76,872)              | 87,392                |
| Total adjustments                                                                              | (868,557)             | (61,562)              |
| Net cash provided by or (used in) operating activities                                         | (1,169,222)           | (763,842)             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                   |                       |                       |
| Payment for purchase of equipment and<br>improvements                                          | (21,144)              | (40,465)              |
| Net cash provided or (used) in purchase<br>and sale of investments                             | (733,345)             | (548,032)             |
| Net proceeds (repayments) of loans from<br>brokers used to purchase investments                | 1,292,259             | 1,074,864             |
| Proceeds from short sales not closed                                                           | 556,570               | 285,766               |
| Net cash provided by or (used in) investing activities                                         | 1,094,340             | 772,133               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                   |                       |                       |
| Receipt / (repayment) of bank loan                                                             | 600,000               | 200,000               |
| Payment for purchase of treasury stock                                                         | (474,335)             | (199,370)             |
| Proceeds from sale of treasury stock                                                           | 10,000                | 30,736                |
| Net cash provided by or (used in) financing activities                                         | 135,665               | 31,366                |
| Net increase (decrease) in cash and cash equivalents                                           | 60,783                | 39,657                |
| Cash and cash equivalents at beginning of year                                                 | 3,324                 | 13,035                |
| Cash and cash equivalents at end of period                                                     | \$ 64,107             | \$ 52,692             |

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September 30,  
2004

September 30,  
2003

See accompanying notes to financial statements

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DAXOR CORPORATION  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2004, and December 31, 2003, the results of operations for the three and nine months ended September 30, 2004 and 2003 and cash flows for the nine months ended September 30, 2004 and 2003.

(1) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, management has determined that the company's portfolio is best characterized as Available-For-Sale. This has resulted in the balance sheet carrying value of the company's marketable securities investments, as of September 30, 2004 and December 31, 2003 being increased approximately 121.12 % and 112.48% respectively over its historical cost. A corresponding increase in shareholders' equity has been effectuated. In accordance with the provisions of FASB No. 115, the adjustment in shareholders' equity to reflect the company's unrealized gains has been made net of the tax effect had these gains been realized.

The following tables summarize the company's investments as of:

| Type of security | September 30, 2004 |               |                          |                           |
|------------------|--------------------|---------------|--------------------------|---------------------------|
|                  | Cost               | Fair Value    | Unrealized Holding gains | Unrealized holding losses |
| Equity           | \$ 23,049,649      | \$ 51,104,834 | \$ 28,402,153            | \$ 346,968                |
| Debt             | 75,902             | 29,550        | 3,370                    | 49,722                    |
| Total            | \$ 23,125,551      | \$ 51,134,384 | \$ 28,405,523            | \$ 396,690                |

| Type of security | December 31, 2003 |               |                          |                           |
|------------------|-------------------|---------------|--------------------------|---------------------------|
|                  | Cost              | Fair Value    | Unrealized Holding gains | Unrealized holding losses |
| Equity           | \$ 22,271,842     | \$ 47,368,871 | \$ 25,407,422            | \$ 310,393                |
| Debt             | 35,902            | 30,288        | 2,170                    | 7,784                     |
| Total            | \$ 22,307,744     | \$ 47,399,159 | \$ 25,409,592            | \$ 318,177                |

At September 30, 2004 the securities held by the Company had a market value of \$51,134,384 and a cost basis of \$23,125,551 resulting in a net unrealized gain of \$ 28,008,833 or 121.12% of cost.

At December 31, 2003, the securities held by the Company had a market value of \$47,399,159 and a cost basis of \$22,307,744 resulting in a net unrealized gain of \$25,091,415 or 112.48% of cost.

At September 30, 2004 and December 31, 2003 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value.

(2) LOANS PAYABLE

As at September 30, 2004 and December 31, 2003, the Company had loans outstanding aggregating \$1,500,000 and \$900,000 borrowed on a short term basis from a bank, which are secured by certain marketable securities of the Company. The loans bear interest at approximately 3%.

Short term margin debt due to brokers, secured by the Companies marketable securities, totaled \$2,894,365 at June 30, 2004 and \$1,602,106 at December 31, 2003.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 2.

RESULTS OF OPERATIONS

*Three months ended September 30, 2004 as compared with three months ended September 30, 2003.*

For the three months ended September 30, 2004 total revenues were \$1,119,549 up from \$904,183 in 2003. Operating revenues were \$277,975 in 2004 down from \$301,816 in 2003. Dividend income was \$516,525 with a net interest expense of \$34,979 in 2004, as compared to dividend income of \$527,591 with a net interest expense of \$25,012 in 2003. In 2004, the Company had a net loss before income taxes of \$(56,293) versus a net loss before income taxes of \$(180,899) in 2003. Total cost and Expenses in 2004 increased to \$1,175,842 vs. \$1,085,082 in 2003. This was related to increased marketing efforts and research and development expenses. The Company has increased research expenses for additional features to the BVA-100. Operating revenues decreased by 9% from the comparable quarter in 2003. The Company's new sales team began marketing in the fourth quarter of 2003. The increase in operating revenues can be attributable to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months. As part of its sales and marketing expansion, the company will lend, it no cost, for a limited time period, or rent an instrument for a period of one year or less to a hospital for testing purposes. Under such an arrangement the company will only receive rental income for the instrument and income from the sale of kits. The Company anticipates that its sales of BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company is currently in the process of expanding its sales and marketing force.

*Nine months ended September 30, 2004 as compared with nine months ended September 30, 2003.*

For the nine months ended September 30, 2004 total revenues were \$3,183,314 up from \$2,413,467 in 2003. Operating revenues in 2004 were \$940,958 up from \$810,910 in 2003. Selling and administrative expenses were \$2,379,960 in 2004, vs. \$1,891,992 in 2003. The increased expenses were related to the employment of additional sales and marketing personnel and increased research and development. In 2004, Dividend income was \$1,483,325 with a net interest expense of \$66,955 as compared to the dividend income of \$1,438,232 with a net interest expense of \$58,594 in 2003. In 2004, the Company had \$747,928 in capital gains vs. \$152,896 in 2003. In 2004, the Company had a net loss before income taxes of \$(278,930) versus a net loss of \$(681,493) before income taxes in 2003. The Company has adopted a policy that encourages leasing or renting of BVA-100 equipment to enable hospitals to obtain the equipment. This results in sales of kits but a slower recognition of operating income from BVA sales.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2004 the Company had total assets of \$52,161,441 with shareholders' equity of \$37,577,666. The Company has a net pre-taxed unrealized gain of \$28,008,833 and \$18,485,830 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of \$51,134,384 with short-term loans of \$ 4,394,365 with 4,610,826 shares outstanding. The Company has no long term debt. The Company has current liabilities of \$14,583,775. Included in these liabilities are deferred taxes of \$9,523,003. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities minus these deferred taxes equals \$5,060,772.

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The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. 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. The decision to develop the marketing team was partially based on the anticipation of new publications in peer reviewed medical journals by current users of the Blood Volume Analyzer.

The Company's goal is to establish blood volume measurement as a standard of care in multiple areas of medicine and surgery. It is hoped that the publication of research studies from leading medical facilities will result in an increase in sales in both the Blood Volume Analyzer and its associated kits.

The Company has an instrument loaner reagent plan which requires use of the Company's reserves. The equipment loaner reagent plan permits a user to make a minimal initial capital commitment. This results in a slower return on capital expenditure for the Company. The Company has established a private label leasing program called Daxor Capital through De Lage Landen. With this arrangement Daxor receives the net present value of the lease upon the signed completion of the installation of the equipment.

The Company is evaluating blood volume instrumentation management programs for hospitals. Under such a plan, the Company would provide equipment and personnel on a sub-contract basis. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer.

### *Part II OTHER INFORMATION*

#### *Item 1. Legal Proceedings*

None

#### *Item 2. Exhibits and Reports on Form 8-K*

##### (a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal 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 Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) There were no reports on Form 8-k filed.

SIGNATURES

Pursuant to the requirements 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 9, 2004

By: /s/ JOSEPH FELDSCHUH, M.D.

JOSEPH FELDSCHUH, M.D.,  
President and Chief Executive  
Officer

DATE: November 9, 2004

By: /s/ STEPHEN FELDSCHUH

STEPHEN FELDSCHUH  
Vice President of Operations  
And Chief Financial Officer