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DAXOR CORP
Form 10-Q
May 16, 2005

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 MARCH 31, 2005
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: (212) 244-0555
(Including Area Code)

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 MARCH 31, 2005 |
|--|-------------------------------|
| COMMON STOCK PAR VALUE: \$.01 per share | 4,636,326 |

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DAXOR CORPORATION CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DAXOR CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS [UNAUDITED]

| | March 31, 2005 | December 31, 2004 |
|---|-------------------|----------------------|
| | ----- | ----- |
| <hr style="border-top: 1px dashed black;"/> | | |
| ASSETS | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| CURRENT ASSETS | | |
| Cash | \$ 13,730 | \$ 5,079 |
| Available-for-sale securities | 55,726,452 | 54,806,400 |
| Accounts receivable | 195,516 | 202,649 |
| Inventory | 139,338 | 139,338 |
| Prepaid and other current assets | 211,353 | 453,284 |
| | ----- | ----- |
| Total Current Assets | 56,286,389 | 55,606,750 |

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| | | |
|---|---------------|---------------|
| PROPERTY AND EQUIPMENT | | |
| Machinery and equipment | 767,824 | 755,237 |
| Furniture and fixtures | 329,341 | 329,050 |
| Leasehold improvements | 295,530 | 295,530 |
| | ----- | ----- |
| | 1,392,696 | 1,379,817 |
| Less: Accumulated depreciation and amortization | (1,099,688) | (1,089,245) |
| | ----- | ----- |
| Property and equipment, net | 293,008 | 290,572 |
| Other assets | 32,158 | 32,158 |
| | ----- | ----- |
| Total Assets | \$ 56,611,555 | \$ 55,929,480 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|---------------|---------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 71,225 | \$ 89,162 |
| Loans payable | 4,396,564 | 4,113,285 |
| Other Liabilities | 975,521 | 982,718 |
| Deferred revenue | 22,355 | 17,465 |
| Deferred taxes | 10,922,075 | 10,845,531 |
| | ----- | ----- |
| Total Current Liabilities | 16,387,740 | 16,048,161 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value | | |
| Authorized - 10,000,000 shares | | |
| Issued - 5,309,750 shares | | |
| Outstanding - 4,636,326 and 4,610,826 | | |
| shares, respectively | 53,097 | 53,097 |
| Additional paid in capital | 10,281,586 | 9,821,563 |
| Accumulated other comprehensive income | 21,201,674 | 21,053,089 |
| Retained earnings | 14,249,659 | 14,589,699 |
| Treasury stock, at cost, 673,424 and 698,924 | | |
| shares, respectively | (5,562,201) | (5,636,129) |
| | ----- | ----- |
| Total Stockholders' Equity | 40,223,815 | 39,881,319 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 56,611,555 | \$ 55,929,480 |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

F-1

DAXOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]
FOR THE THREE MONTHS ENDED MARCH 31,

| | | |
|---------------------|------------|------------|
| | 2005 | 2004 |
| | ----- | ----- |
| Revenues: | | |
| Operating revenues | \$ 296,583 | \$ 408,248 |
| | ----- | ----- |
| Costs and Expenses: | | |

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| | | |
|--|--------------|-----------|
| Operations of laboratories & costs of production | 454,389 | 381,162 |
| Selling, general, and administrative | 1,073,328 | 710,157 |
| | ----- | ----- |
| Total Costs and Expenses | 1,527,717 | 1,091,319 |
| | ----- | ----- |
| Loss from operations | (1,231,134) | (683,071) |
| Other income (expense): | | |
| Dividend income | 538,120 | 493,569 |
| Gain on sale of securities | 389,036 | 225,066 |
| Other revenues | 4,352 | 3,643 |
| Interest expense, net | (40,413) | (19,443) |
| | ----- | ----- |
| Total other income | 891,095 | 702,835 |
| | ----- | ----- |
| Net Income /(Loss) Before Income Taxes | (340,039) | 19,764 |
| Provision for income taxes | 0 | 0 |
| | ----- | ----- |
| Net Income /(Loss) | \$ (340,039) | \$ 19,764 |
| | ===== | ===== |
| Weighted Average Number of Shares Outstanding | | |
| - Basic and Diluted | 4,627,659 | 4,632,659 |
| | ===== | ===== |
| Net Income / (Loss) per Common Equivalent Share | \$ (0.07) | \$ 0.00 |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements.

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DAXOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]
FOR THE THREE MONTHS ENDED MARCH 31,

| | 2005 | 2004 |
|---|--------------|-----------|
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net income or (loss) | \$ (340,039) | 19,764 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation & amortization | 10,443 | 11,940 |
| Gain on sale of investments | (389,036) | (225,066) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 7,133 | (50,528) |
| (Increase) decrease in other current assets | 241,931 | (68) |
| Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales" | (17,912) | 4,198 |
| Increase in deferred revenue | 4,890 | -- |
| | ----- | ----- |
| Total adjustments | (142,551) | (259,524) |
| | ----- | ----- |
| Net cash used in operating activities | (482,590) | (239,760) |

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| | | |
|--|-------------|-----------|
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (12,878) | (7,570) |
| Purchases of investments, net | (1,280,049) | (270,699) |
| Net proceeds from (repayments of) loans from brokers used to purchase investments | 283,279 | (238,905) |
| Proceeds from "short sales" not closed | 966,939 | 362,375 |
| | ----- | ----- |
| Net cash used in investing activities | (42,709) | (154,799) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Proceeds from bank loan | -- | 600,000 |
| Proceeds from sale (purchase of) treasury stock | 533,950 | (153,263) |
| | ----- | ----- |
| Net cash provided by financing activities | 533,950 | 446,737 |
| | ----- | ----- |
| Net increase in cash and cash equivalents | 8,651 | 52,178 |
| Cash and cash equivalents at beginning of year | 5,079 | 3,324 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 13,730 | \$ 55,502 |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

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DAXOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(1) BASIS OF PRESENTATION

The accompanying unaudited 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 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 years ended December 31, 2004, 2003 and 2002, included in Daxor Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

These consolidated financial statements have been prepared in accordance with 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 10-01 of Regulation S-X.

(2) AVAILABLE-FOR-SALE SECURITIES

Upon adoption of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, management has determined that the company's portfolio is best characterized as "Available-For-Sale". SFAS No. 115 requires these securities to be recorded at their fair market values, with the offsetting

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unrealized holding gains or losses being recorded as Comprehensive Income (Loss) in the Equity section of the Balance Sheet. The adoption of this pronouncement has resulted in an increase in the carrying value of the company's available-for-sale securities, as at March 31, 2005 and December 31, 2004, of approximately 136.10% and 139.25%, respectively, over its historical cost.

In accordance with the provisions of SFAS No. 115, the adjustment in stockholders' equity has been made net of the tax effect had these gains been realized.

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:

| March 31, 2005 | | | | |
|------------------|---------------------|---------------------|--------------------------|---------------------------|
| Type of security | Cost | Fair Value | Unrealized Holding gains | Unrealized holding losses |
| Equity | \$23,524,650 | \$55,698,052 | \$32,844,902 | \$ 671,500 |
| Debt | 78,053 | 28,400 | -- | 49,653 |
| Total | \$23,602,703 | \$55,726,452 | \$32,844,902 | \$ 721,153 |

| December 31, 2004 | | | | |
|-------------------|---------------------|---------------------|--------------------------|---------------------------|
| Type of security | Cost | Fair Value | Unrealized Holding gains | Unrealized holding losses |
| Equity | \$22,802,568 | \$54,741,650 | \$32,125,500 | \$ 186,417 |
| Debt | 105,212 | 64,750 | 7,792 | 48,255 |
| Total | \$22,907,780 | \$54,806,400 | \$32,133,292 | \$ 234,672 |

At March 31, 2005 the securities held by the Company had a market value of \$55,726,452 and a cost basis of \$23,602,703 resulting in a net unrealized gain of \$ 32,123,749 or 136.1% of cost.

At December 31, 2004, the securities held by the Company had a market value of \$54,806,400 and a cost basis of \$22,907,780 resulting in a net unrealized gain of \$31,898,620 or 139.25% of cost.

At March 31, 2005 and December 31, 2004, marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value. Debt securities consist of Corporate Bonds. As at March 31, 2005, one of these bonds, which has a cost of \$29,798, is scheduled to mature in May 2008. The remaining two bonds, which have a combined cost of \$48,255 are currently in default, with maturity dates prior to December 31, 2004. Management is awaiting final settlement of the bonds, and is not yet able to determine the amount of loss, if any, that may occur. Accordingly, the Company has valued these bonds at zero and recorded an unrealized loss of the entire cost of the bonds.

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(3) 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.

(4) LOANS PAYABLE

As at March 31, 2005 and December 31, 2004, the Company has a note payable of \$1,500,000 with a bank with an option to renew, and is classified as short term. The note balance is an aggregate of borrowings (loans) that renews as one note each year, but is subject to different interest rates depending on the individual amount of each borrowing.

The loan bears interest at approximately 3.0% is secured by certain marketable securities of the Company.

Short term margin debt due to brokers, secured by the Company's marketable securities, totaled \$2,896,564 at March 31, 2005 and \$1,363,201 at December 31, 2004.

(5) SELECTED FINANCIAL DATA (Unaudited)

Selected Quarterly Financial Data

| | Quarter Ended | |
|---|----------------|----------------|
| | March 31, 2005 | March 31, 2004 |
| Operating revenues | \$ 296,583 | \$ 408,248 |
| Total revenue and other income | 1,228,091 | 1,130,526 |
| Gross loss | (1,231,134) | (683,071) |
| Net income (loss) | (340,039) | 19,764 |
| Net income (loss) per share | (.07) | .00 |
| Total Assets | 56,611,555 | 50,130,886 |
| | | |
| Income: | | |
| Operating revenues | \$ 296,583 | \$ 408,248 |
| Other income (expenses): | | |
| Dividend income | 538,120 | 493,569 |
| Gain on sale of securities | 389,036 | 225,066 |
| Other revenues | 4,352 | 3,643 |
| Interest expense, net | (40,413) | (19,443) |
| | 1,187,678 | 1,111,083 |
| | | |
| Costs and Expenses: | | |
| Operations of laboratories & costs of production | 454,389 | 381,162 |
| Selling, general & administrative | 1,073,328 | 710,157 |
| | 1,527,717 | 1,091,319 |
| | | |
| Net Income (Loss) Before Provision for Income Taxes | (340,039) | 19,764 |
| Provision for Income Taxes | -- | -- |
| | | |

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| | | |
|---|--------------|-----------|
| Net Income (Loss) | \$ (340,039) | \$ 19,764 |
| | ===== | ===== |
| Weighted Average Number of Shares Outstanding | | |
| - Basic and Diluted | 4,627,659 | 4,632,659 |
| | ===== | ===== |
| Net Income(Loss)per Common Equivalent Share | \$ (0.07) | \$ 0.00 |
| | ===== | ===== |

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

ITEM 2. RESULTS OF OPERATIONS

Three months ended March 31, 2005 as compared with three months ended March 31, 2004

For the three months ended March 31, 2005 total revenue and other income increased by 8.6% to \$1,228,091 from \$1,130,526 in 2004. Operating revenues decreased by 27% to \$296,583 in 2005 from \$408,248 in 2004. In 2005 there was only a single sale of the BVA-100 blood volume analyzer, although a number of contracts were signed for instruments on a trial basis. There were capital gains in 2005 of \$389,036 up from \$225,066 in 2004. Dividend income was \$538,120 with a net interest expense of \$40,413 in 2005, as compared to dividend income of \$493,569 with a net interest expense of \$19,443 in 2004. In 2005, the Company had a net loss of (\$340,039) versus a net income income of \$19,764 in 2004. Total Costs and Expenses increased by 41% in 2005 to \$1,568,130 vs. \$1,110,762 in 2004. 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. The Company has also expanded its manufacturing staff in Oak Ridge, Tennessee. The increase in kit sales can be attributable to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months, or occasionally longer. The Company anticipates that the sales of the BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company plans to continue expanding its sales and marketing force, which currently consists of 17 salesmen and 4 support personnel.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005 the Company had total assets of \$56,611,555 with stockholders' equity of \$40,223,815 as compared to total assets of \$50,130,886 with stockholders' equity of \$37,537,441 at March 31,2004. Despite increasing its expenses, the Company has significantly increased its financial base as compared to one year ago. The Company has a net pre-taxed unrealized gain of \$32,123,749 and \$21,201,674 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Stockholders' Equity. The Company's stock portfolio had a market value of \$55,726,452 with short-term loans of \$ 4,396,564 with 4,636,326 shares outstanding. The Company has current liabilities of \$16,387,740. Included in these liabilities are deferred taxes of \$10,922,075. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities minus these deferred taxes is \$5,465,665. The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without this income, the Company would have been in a precarious financial situation because of its operating losses over the past 10 years. The Company's portfolio has, historically, maintained a

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net value above cost for each of the past 15 years.

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 sells, as well as offers to lease or rent the BVA-100 as part of the overall marketing plan. The Company also loans the instrument for a limited time period, however facilities evaluating the instrument must pay for the kits. A financing arrangement for customers was established through a relationship with De Lage Landen (DLL). The significance of this relationship is as sales through leases increases, Daxor will not have to diminish its capital outlay for equipment as DLL will fund the net present value of the lease upon installation of the equipment. In an effort to obtain the best rates for our clients, the Company will also work with other independent leasing firms.

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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. Additional information on the Company is available on our website www.daxor.com.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to information required to be included in our periodic Securities and Exchange Commission filings. There was no significant change in our internal control over financial reporting that occurred during the quarter ended March 31, 2005, that materially affected or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Exhibits and Reports on Form 8-K

(a) Exhibits

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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 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: May 16, 2005

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

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

DATE: May 16, 2005

By: /s/ STEPHEN FELDSCHUH

STEPHEN FELDSCHUH
Vice President of Operations
And Chief Financial Officer